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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2202

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INLAND WATERWAY TRANSPORTATION DEVELOPMENT, PROBLEMS REVIEWED

Dresden SAECHSISCHE ZEITUNG in German 4 Sep 81 'WIR' Supplement p 1

[Article by Karl-Heinz Scholz, based on data provided by Dr Wolfgang Hettler, general director, Combine for Inland Shipping and Waterways: "...And Always a Hand's Breadth of Fresh Water Under the Keel: Inland Shipping Between Past and Future"]

[Text] Inland shipping is something like a great adventure: When, in the summer drought lasts for a long time, the water level of the rivers drops and the proverbial hand's breadth of fresh water under the keel of the river boat is missing;

When, upriver, cloud masses unload rain in vast quantities or, in spring, sudden warmth makes the snows of winter melt so suddenly that high water makes the arches of bridges impassable for ships despite dams and reservoirs;

When, in winter, severe frost clothes the sluggish flow of the rivers or the waters of the canals in a solid coat of ice, which even the largest icebreakers of the inland shipping combine can penetrate only with a great deal of effort.

Drought, high waters and ice are the extremes causing much anxiety to the personnel of the Combine for Inland Shipping and Waterways and threatening if not interrupting the flow of some 16 million tons of goods per annum on 2,546 km of GDR waterways. Often the shipment of building materials to major construction sites, of coke and coal to power plants and ironworks, of ores, fertilizer, lumber, grain and other products comes to a standstill and must be transferred to road and rail.

Inland shipping is largely the result of industrial developments before and after the turn of the century. Unfortunately the heritage accruing to the workers and farmers state after the fascist war represented a mirror image of the entire economic chaos: Barges and tugs had been in service for 30-50 years and were technical veterans rather more than potential pillars of the inland shipping industry to be reconstituted. Wartime damage had made many waterways impassable, technical facilities such as locks and ship lifting devices were either destroyed or technically obsolete--in any case liable to breakdowns. Materials were missing in the inland shipyards.

From Barges to Pusher Ship Trains

In the first years of our workers and farmers power improvisation was the order of the day for inland shipping also. So as to quickly bridge the lack of tugs, barges

were equipped with motors. And when, in 1950, it was possible again to carry 10 million tons of freight, the inland shipping people were justified in taking pride in that achievement.

About 10 years later, in the course of the 1960-1965 Five-Year Plan period, our growing economy had acquired the material basis and the strength to carry out an unprecedented construction program for inland shipping: More than 100 new and efficient motor cargo ships replaced the veterans. At the same time new technological steps were taken: Pusher shipping began its victorious advance on our waterways also--it is more efficient to push rather than pull freight. By 1970 the second new construction program of the inland shipping fleet had been realized; pusher ships and lighters (non-powered shipping containers) were built. At the present time 70 percent of the GDR inland shipping fleet operates with pusher technology, 20 percent with motor ships and only 10 percent with motorized barges which are largely in the hands of private shipowners. This alone enabled the annual volume of freight carried to be raised by 160 percent compared with 1950.

Though It Does not Play the First Fiddle...

The economy's transportation needs rise alongside its capacity. The competition movement, unprecedented in its scope, in preparation of the Tenth SED Congress resulted in a substantial overfulfillment of plans. In 1980 this meant that the transportation system needed to carry 13 million tons of goods more than provided in the plans. Together with the railway inland shipping made its contribution--it carried 2 million tons more than in 1979. The Tenth SED Congress decisions suggest an up to 8 percent rise in transport services.

In the "concert" of the three carriers--rail, road and waterways--for the most economic division of labor, inland shipping certainly does not play the first or even the second fiddle. However, compared with the other carriers it has a tremendous advantage: Neither carries goods quite so efficiently. Waterway transports are cheaper not only with regard to overall costs but also to energy consumption: To carry the same volume of goods the inland ship requires 20 percent less diesel fuel than the railroad and 75 percent less than trucks.

At Home on Our Waterways

By its geographical situation the GDR is an attractive transit country for the steadily rising trade between the European countries, and that applies to the waterways also. The Elbe links neighboring Czechoslovakia to the North Sea, the East-West canal system links it to the Baltic and the West European waterways system. By way of the canal system Polish ships get to the North Sea, the Netherlands and Belgium. FRG ships and those from West Berlin also may use GDR waterways.

Cooperation among inland shipping of the three socialist neighbors boasts long standing traditions, beginning with joint handling processes and including scientific-technological cooperation which also involves the Soviet Union. A branch of the CSSR enterprise Elbe-Oder Shipping CSPLD is located in Magdeburg port. This controls the freight transport of the CSSR on all Central European waterways. Director Ferdinand Halama has managed this branch since 1976 and by now considers himself a "naturalized Magdeburg resident." As the only waterway to the North Sea

as well as the Baltic, the Elbe has great importance for the economy of our neighbor: Last year 669,000 tons of export goods and 827,000 tons of import goods were carried there. Very well known is the so-called black and white transportation between the GDR and the CSSR: Hard coal from the Ostrava coalfields to Magdeburg, salt from Schoenebeck and Aken to the chemical factories south of the Ore Mountain range. Last year 184,000 tons of Ostrava hard coal were shipped down the Elbe, 393,000 tons of salt on GDR ships and 232,000 tons on CSPLD ships up the same river. And the trend is toward continuing growth. Director Halama describes cooperation with his GDR colleagues as very good indeed. "We are operating like a real collective, one helps the other. After all, we are all working at a common task and linked by common interests."

All ships of our own as well as of the CSSR inland shipping fleet cross the fleet sector Upper Elbe on their way to south or north. The goods transport of the industry in the bezirk is organized in the Dresden control office, in cooperation with the directorate of the port and shipping agency Riessa. If, for example, the collectives of the Elbe ports Dresden, Meissen, Riessa and Torgau intend to exceed the planned freight handling of 3.3 million tons by the output of 3.5 working days, the inland shipping personnel must obviously join in the effort--without them nothing can be done. "It is a matter of acting in exact unison with your cooperation partners," says Hansjoerg Haufe, director of the Upper Elbe fleet sector. This means that the gravel lighters must join the train in good time--in both directions. Building material transports go downriver from Dresden to Torgau, and from there the material is carried by rail to the major construction sites. Transshipped in Dresden also is gravel produced in the Muehlberg quarry near Riessa and delivered by lighter. This is taken either to the building sites of the district city or by rail to Karl Marx Stadt. Anyway, building materials for Dresden, Karl Marx Stadt and Berlin districts account for about half the freight handled in the four ports of Dresden and Leipzig districts. In Dresden it actually amounts to 80 percent.

Inland Shipping Round the Clock?

For the inland shipping crews intensification also means the necessity for meeting the challenges of tomorrow and the day after. The greater utilization of basic materials--in other words the fleet--is the constant daily task here also. At the present time, for example, studies are under way whether and how constant day and night operations may be started on certain sections of the waterways. According to Dr Wolfgang Hettler, general director of the Combine for Inland Shipping and Waterways, this represents an important capacity reserve.

Other reserves are to be found in the better organization, the better ensemble play in the "concert" of all three carriers. If, for example, the railroaders more rationally organize their freight carriage by so-called through freight trains which run without stopping from dispatch to destination depot, inland shipping personnel must be involved also. The latter geared up to this new transport technology, developed flush deck lighters for gravel transportation, which have a capacity of 1,000 tons and therefore correspond to the carrying capacity of through freight trains. When such lighters are used, it is not necessary to put the gravel into intermediate storage as has to be done when 750-ton lighters are involved.

The combination waterways-road also offers many opportunities for rationalization. Since 1975 combined carriage is practiced for large slabs sent for housing

construction from the slab works to the building sites. This allowed a total saving of some M4.4 million and 70,000 tons of diesel fuel.

Technology also will have an important future function." However, nature has set strict limits to further developments. General Director Dr Hettler tells us that "special parameter expansions in the dimensions of the ships are being tackled." After all, the currently largest pusher ship train of the GDR inland waterways fleet--consisting of a pusher ship and six barges--has a total length of 150 meters. While Dr Hettler warns against exaggerated expectations--"the dimensions of a 20,000-ton pusher ship train such as operate in other countries are entirely impossible in our natural conditions!"--he does think in terms of larger ship trains than those now operating. "We will not be able to use them everywhere: That would require an unduly expense straightening of river bends. But it is possible on some sections, and that will advance us a goodly bit."

This left us with the final question as to the worst problems confronting the general director of the Combine for Inland Shipping and Waterways. After a brief moment of reflection he said: "For one it is the fact that, despite all our efforts, we are still not able to carry out all transport operations which would be feasible, cheap and economically efficient. The other problem is posed by mother nature: She would have to guarantee that ice, fog and high waters never idle our ships, and that there will always be half a hand's breadth of fresh water under the keel!"

11698

CSO: 2300/38

EFFECT OF ENERGY CRISIS ON MALEV'S FUEL COSTS NOTED

Budapest KOZLEKEZESI KOZLOWY in Hungarian No 30, 26 Jul 81 pp 573-576

[Article by Dr Endre Vilmos, economic director of MALEV (Hungarian Air Transport Enterprise): "The Effect of the Energy Crisis on the Energy Management of Air Transportation"]

[Excerpts] Fuel Management at the Hungarian Air Transport Enterprise

Although MALEV does not operate planes in the giant plane category it seems sufficient, in regard to the development of its plane inventory, to compare the first passenger plane of the period after the war (the LI-2) to the TU-154 type plane. While the ton kilometer per hour output of the LI-2 was 468 tkm/h that of the TU-154 is 15,480 tkm/h. The more than 33-fold increase is a good illustration of the development.

The planes of the enterprise are characterized by a significant reserve from the viewpoint of available thrust. At the same time the specific consumption of these planes (gram/kph) is less favorable, to a certain extent, than the consumption characteristic of the most modern power plants. Taking into consideration the cost structure characteristic of the western world (acquisition price of planes, wage costs, marketing costs, etc.) the fuel ratio for us is extraordinarily high. For this reason energy conservation is of greater significance for MALEV as compared to the situation described earlier.

In the given economic situation and under the given market conditions an exchange of planes for energy economical types cannot be considered, nor can the economical justification for this be proven. Unfortunately neither is it possible to exchange the power plants of the existing planes for more economical power plants. Thus MALEV should consider as the priority solution primarily a fuel conservation execution of flights, not excluding a review of the economicalness of lines and routes and the assignment of planes with significantly different fuel consumptions to definite routes--depending on the traffic.

The following table shows the development of the fuel costs of MALEV.

Data Pertaining to Fuel Use by MALEV

<u>Category</u>	<u>1973</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Increase in fuel costs, percent	100	340	473	1,041
Increase in fuel use, percent	100	196	227	233

(Continued)

Category	1973	1978	1979	1980
Fuel prices, forints per kilogram	1,915	3,330	3,897	8,544
Increase in average price for fuel, percent	100	174	208	445
Fuel cost as percent of direct costs	19.9	29.3	30.4	44.3

It can be seen from the data in the table that the increase in costs agrees approximately with the increase characteristic of world air transportation, but the components of this are different. For MALEV the increase in fuel prices is only 446 percent, but at the same time the quantity of fuel used more than doubled. What stands behind the significant increase in fuel use is, on the one hand, a more than doubling of output and, in the second place, the fact that the TU-154 was just introduced in 1973 while in 1980 these types handled 65 percent of the traffic. The per hour consumption of the TU-154 is a good bit more than twice that of the IL-18 and about 1.5 times that of the TU-134.

The Development of Domestic Fuel Prices

The development of the price of the fuel used by Hungarian air transportation can be derived from three components. Naturally the fuel price changes which took place in the western world had an effect on MALEV just as was described above, because at the western airports touched by MALEV fuel is obtained by MALEV at practically the same price as any other western airline.

For a long time, in regard to domestic fuel purchases, the effect of the trends on the world market did not affect MALEV, because of the intervention of the Hungarian state. This was partly because kerosene derived from Soviet imports was delivered substantially more cheaply than the world market on a basis of reciprocity, on the basis of special allotments and supplementary agreements, and partly because price changes for Soviet import kerosene were postponed or reduced by import price supplements. This state price policy changed radically in 1980 when they imposed, in place of the import price supplement, a turnover tax on kerosene of such magnitude that the price of kerosene corresponded to the price characteristic of domestic liquid fuels, thus approaching the world market prices and far exceeding the prices used in other socialist countries. Additional price increases have followed that of 1980 and an active price policy can be expected in the future also.

MALEV fuel costs are significantly influenced—and this is the third component—by the fuel price used in the socialist countries, which is determined on the basis of the Soviet export price which changes according to 3 years averages of international world market price changes, and is thus substantially lower than the price level used in Hungary. This different price level together with the mutually used prices and the unfavorable fuel drawing ratio characteristic of MALEV—MALEV takes on less in the socialist countries than the socialist airlines do in Budapest—has created problems which could be bridged over only with special measures.

In order to get over the price and quantity problems characteristic in the western world the enterprise gave up its decades old policy of maintaining contact with only

one western fuel supply company and divided with market among six companies, thus providing a broader background and a more favorable price level. Experience shows that this enterprise decision was well founded. (In addition, naturally, a contract relationship was entered into, at a relatively high price, with domestic, state monopoly fuel enterprises in the developing countries.)

The three different price levels described above—at western, domestic and socialist airports—made possible to a certain degree a relative reduction in fuel costs. The design characteristics of the aircraft make possible—as a function of the commercial load—the transportation of a fuel reserve according to which it is possible to reduce the draw at airports offering fuel more expensively. Naturally the transportation of (extra) fuel causes extra consumption and can increase some other costs (e.g., tire wear) but this extra consumption (extra cost) is negligible in comparison to the saving that can be achieved due to the price difference. This solution can be used in periods of fuel shortages also. The crews have up-to-date information about fuel prices at various airports and on the basis of this they themselves decide where to take on fuel and how much. It is an interesting paradox that employment of the TU-154 and increasing its flight output, despite the significantly higher consumption of this type (as compared, for example, to the TU-134), also offered conservation possibilities; by virtue of its design it was capable of carrying out return trips with only domestic tanking on the majority of routes even with medium commercial loads. It could thus save the extraordinarily expensive tanking at western airports. This solution offered significant advantages, especially before the increase in domestic fuel prices.

In accordance with the above changes the fuel proportion increased within direct costs and reached a higher value than is characteristic of the world. The explanation of this is, in addition to the differing changes in the price of fuel, that the wage proportion for MALEV is under the value characteristic of world air transport and that planes were acquired at favorable prices.

The fuel cost ratios differ significantly for the various types. For example, in 1980 it was 59.3 percent for the IL-18, 39.6 percent for the TU-134 and 43.7 percent for the TU-154. The reasons for this difference can be summarized as follows. In the case of the IL-18 there is no longer any amortization cost, thus the other cost elements are higher automatically; in addition, and this is the crucial reason, the IL-18's are used on special freight routes in the dollar relationship at distances where one can calculate on a maximum 50 percent domestic draw of fuel. The great majority of TU-134 flights are carried out on routes characterized by fuel draws at domestic or socialist airports only. The TU-154 has higher consumption and operation on the capitalist routes influences the high fuel cost ratios of them.

The measures taken by the enterprise for more economical fuel use are also reflected by the fact that in the period studied fuel use by type as compared to output (fuel consumption in kg/tkm) was reduced to 9.23 [as published] percent for the IL-18, 77.3 percent for the TU-134 and 75.3 percent for the TU-154 while specific consumption at the enterprise level remained at 100 percent. These differing changes were produced in part by the forced operation of the TU-154, which has higher consumption, while the cause of the lower decrease for the IL-18 is that this type is used primarily for one-way charter tasks and, because of the nature of the goods transported, exploitation calculated for the entire trip is a maximum 25 percent. Savings in

connection with capitalist fuel draw are indicated by the fact that while scheduled flight output (kilometers) in the capitalist relationship increased by 2 percent from 1979 to 1980 the amount of fuel taken on at western airports decreased by more than 10 percent.

Speeds Must Be Reduced

The enterprise also uses a reduction in speeds in the interest of fuel conservation.

Naturally there is a limit to the reduction in speeds on the basis of physical factors as determined by the parameters of the plane, which is also a guarantee that the magnitude of the reduction cannot be so great as to endanger the speed competitiveness of air transport or to be felt significantly by the passengers. For example, the maximum speed reduction which can be used on the BUD-LOW route is 42 km/h, which increases flying time by 8 minutes. Taking into consideration the amount of time needed to complete the BUD-LOW route—counting time on the ground—this extra travel time can be practically ignored. Naturally, it is also necessary for the published schedule to reflect the change in speed.

As a result of the reduction in speed there is also an increase in a few cost elements directly related to hours flown, primarily amortization and costs connected with major maintenance as well as performance-proportional wage payment for crews. Even taking these cost increases into account when we calculate at current fuel acquisition prices and, as a function thereof, whether fuel is drawn for the round trip at BUD or divided up between BUD and LOW and subtract the increasing cost elements for a BUD-LOW-BUD trip then we can show a saving of 5,172-7,010 forints which, calculating on 200 LOW trips per year, makes possible a saving of between 1,034,000 and 1,402,000 forints. When we consider that the number of MALEV flights per year (round trip) exceeds 8,500 it can be seen that there are great possibilities for savings in a reduction of speeds.

As a result of the energy crisis they have introduced, primarily in capitalist countries, extraordinarily effective measures to limit the use of liquid hydrocarbons. These include the renaissance of traditional fuels, use of state supported insulation procedures, limiting heating temperatures, measures to reduce speeds on highways and a price policy which in itself resulted in a significant reduction in use. In some west European countries the energetics use of liquid hydrocarbons decreased by 20-25 percent in 2-3 years. The milder winter weather of recent years influenced this to a certain degree also. As a result of these effects and despite the significantly reduced extraction of crude oil there is significant extra production which is appearing noticeably in the prices for oil and oil products. Since energetics use of liquid hydrocarbons is decreasing unambiguously and significantly in the most varied use spheres while the fuel needs of air transport are stagnating or even increasing these needs not only can be satisfied by the oil companies they are also becoming the only market where a part of the product, becoming surplus, can be sold.

Naturally these marketing possibilities are influenced by the ratio of kerosene which can be extracted from the crude oil, which can be increased only within certain limits. In any case it can be set down as a fact that the years 1978-1979, which were oppressive from the viewpoint of fuel supply, are already a thing of the past and we need not reckon with quantitative problems, at least, today. A certain degree of stagnation, and in some places a reduction, has taken place in regard to prices also, at least in the period of 1981 thus far.

But these favorable phenomena which have appeared in the recent period should not make us forget that at present prices fuel cost has become the determining element in the cost structure of air transportation and that air transport enterprises must do everything in the interest of an absolute and relative reduction of these costs, if for no other reason than that there is no guarantee that, as a result of factors independent of the air transport enterprises, fuel prices will not increase again in a manner similar to the price explosions of 1973-1975 and 1979 or that, as a result of producer decisions or political conflicts, we may not again suddenly face fuel supply difficulties.

8984

CSO: 2500/26

EFFECT OF INFLATION ON PRICE REFORM ANALYZED

Warsaw ZYCIE GOSPODARCZE in Polish 18 Aug 81 pp 3, 4

[Text] We will now attempt to explain how much the average price level of all consumer goods would have to rise if we wanted to eliminate the inflationary curve exclusively with the help of increased prices. Only the price drain operation is of interest to us. The eventual, indispensable retail price increases, resulting from the reform of producer prices and the prices of procurement of agricultural products, in other words the costly price operation is not the object of our deliberations: we will return to this matter later.

Elimination of the inflationary curve through price increases.

Estimating the influence of price drain on the inflationary curve, let us maintain an important assumption according to which, the total annual nominal income flow of the population as well as the flow of market supplies is maintained during the next 3 years at the same level as that of April, 1981. As mentioned, though optimistic, this view is a simplification of our reality. Our concern here, after all is not a reflection of reality, but to define the mechanism of the discussed phenomena, while maintaining only the range of their magnitude. Also, the terms of the previously discussed price drain operation have a tentative character as we are not presenting any realistic draft, but are concerned exclusively with revealing the "logic" of the influence of price drain on the inflationary curve.

Let us imagine that starting with the first day of July, 1981, a one time price increase had been instituted to eliminate the inflationary curve for a one year period, (by 1 August 1982). The physical unreality of this date is of no significance; let the "model" character of our considerations be stressed.

It should be pointed out that such an increase would consist of two distinctly separate operations, (which under certain circumstances, and at different times, could also be practically implemented)

balancing the flow of money through a price increase without supplementing the market reinforcement of the inflationary curve or eliminating the inflationary gap (an expression from the equation 1)²);

draining the fund of the inflationary money supply through additional price increases, which has been accumulated by the consumers on the first of July, 1981, (money awaiting goods - parameter b from equation 1).

The first of these operations can be figuratively demonstrated as "turning off the faucet" through which flows the stream of floating surplus money to the market. This money supplements and continually increases the reservoir of the inflationary curve that burdens the market. On the other hand, the second can be compared to the draining of the entire content of the reservoir which has remained after the faucet is turned off.

The first of these operations is--from the standpoint of time needed to accomplish expected results--an operation with immediate effect. However, by their nature, the results of the other are prolonged; prices can be increased only once, but in order for the increase to have the desired effect in terms of total "draining" of the remaining surplus funds, a period of time must elapse. According to our postulate, this should take a period of one year.

Let us mention here that the value of inflationary money flow was previously estimated at 0.4 trillion zloty annually, while the supply of money as of 1 July 1981 is also estimated at about 0.4 trillion zloty (the similarity of these two figures is of course pure coincidence). Consistent with the above, the reinstatement of the overall market balance requires two measures:

- . increase of monetary value of the annual bulk of goods (1.45 trillion zloty, consistent with our estimates) of 0.4 trillion zloty by increasing the prices on the average of 27 percent in order to eliminate the difference between the flow of income and goods and also to stop entirely the growth of the inflationary curve, ("turn off the faucet," or in other words, block the flow).

- . increase the value of the bulk of goods by an additional 0.4 trillion zloty so that starting 1 July 1981, it would be possible to drain the excess of inflationary money during a period of one year, money which by 1 July 1981, is still in possession of the population. Money that was accumulated in previous years and in the first six months of 1981 (current year for reducing money supply).

In conclusion, prices should be increased on the average about 52 percent in order to eliminate in one year the entire inflationary curve with a single price adjustment.

If such a single price adjustment would be accomplished on 1 July 1981, then the annual value of the bulk of goods would rise from 1.45 to 2.25 trillion zlotys, while the annual income of the population would be 1.85 trillion zlotys. What do the above figures mean? As a matter of fact, price increase directed at draining the surplus of inflationary money (the second element of price adjustment--increasing the value of bulk of the market by 0.4 trillion zloty), which would again form a difference between the flow of monetary income and the flow of the market bulk of goods. But now the meaning of this difference would be of another nature. The value of the flow of market goods would this time be larger than the flow of current nominal incomes, therefore, in order to finance the current market purchases it would be necessary to utilize the funds accumulated by the inflationary curve, which would be entirely eliminated in a period of one year, by 1 July 1982.

It should be noted, that the increase in the value of the bulk of the market by 0.4 trillion zloty, necessary in stopping the flow of inflationary money, is of a permanent nature. On the other hand, its additional increase (by 0.4 trillion),

necessary in order to exhaust the accumulated fund of inflationary money is of a temporary nature. After exhausting the supply, the surplus value of the bulk of goods over incomes becomes unnecessary, but its liquidation demands an increase (by about 20 percent) of the purchasing power of the flow of monetary income of the population, which can be accomplished by lowering prices or increasing the nominal income of the population.

It is clear however, that the above presented price increase will not eliminate the inflationary curve if we assume that the price increase must be partially compensated by a wage increase for certain population groups.

Let us assume, therefore, that we will completely balance living costs for 20 percent of the population belonging to the economically weakest groups, and 30 percent of the population will benefit from 50 percent of the compensation. The wage fund and monetary income of farmers should, therefore, be increased by about 0.15 trillion zloty. Because the inflationary gap would rise by the same amount, the average price level of goods and services ought to be increased on the average of not 52 percent, but about 64 percent.

Variants forecasting higher compensations can of course also be considered. In that case, it needs to be observed that the higher compensations mean prices have to be raised more, thus decreasing the purchasing power of the current incomes of the population groups not benefiting from any compensation.

Let us consider now two factors that ease the harshness of the indispensable price increase:

. we pointed out in the beginning, that the inflationary curve does not take into consideration the so called emergency fund, which is maintained by the population in certain proportions to the bulk of the market. The drain operation, increasing prices for example by 64 percent, will automatically mobilize in some measure, the growth process of the emergency fund, and in this way it will create an additional reduction of the inflationary curve. Turning back to our comparison, we can therefore confirm, that by raising prices we accomplish not two but three actions: "turning off the faucet," (eliminating the source of the curve growth); we initiate "pump priming," (diminishing the current curve), and finally, we open an additional outflow based on changing parts of the inflationary curve into an increase of the emergency fund, (about 80 billion zloty).

. while formulating our simplified model, we noted that the measure of destructive strength of the inflationary curve is the ratio, $I:T$, where I is the inflationary curve for the end of the year, and T is the value of the annual flow of market supply. Let us notice, that a price increase of about 64 percent depresses the surplus of inflationary money, and is therefore synonymous with decreasing this ratio by about 40 percent. From this standpoint, the curve, which on the first of July, 1981, would be 0.4 trillion zloty, becomes better "tolerated" which creates the opportunity to consider a somewhat milder variant of price increases, which would not eliminate the inflationary curve completely, but would maintain it at a level of for example, 0.1-0.2 trillion zloty. The reduction of the curve somewhat eases the demands made by the price operation.

Pointing out these less harsh factors, it is necessary to emphasize that their utilization involves a certain contradiction; the larger the price increase, the

greater is their influence. That is why it appears that the presented problem does not have much practical significance when we revise the price increase operation by 64 percent. It will have even less significance of course, when we consider the lesser price increase variant, (by 36 percent for example, which we will consider further). Instead, this problem acquires real meaning in the case of significantly higher increases since the drain operation includes the population group completely compensated for the increased prices which result from increased prices of provisions, (that is cost operation: to this problem we will return later). This matter also acquires significance when we examine different variants of higher compensation for the drain price increases. The influence of the above discussed factors weakens therefore, the severity of the previously formulated dilemma. It is consistent in that the larger the compensation, the larger will be the price increases. It appears that with variants of greater price increases, this dilemma cannot in practice be solved, but from the standpoint of significantly reducing the remaining inflationary curve, there is the possibility of permanently tolerating some of its remainder which somewhat eases the demands on the price increase operation.

Effects of Rescheduling the Price Operation

What sort of freedom do we have today in choosing the price operation starting date? The following table answers the question of what would happen if we were to change the previously discussed July price operation to later dates, though still maintaining its fundamental principles.

Table 1

Beginning date of the operation	(in trillion zloty)			
	6/30 1981	1/1 1982	1/1 1983	1/1 1984
The annual value of goods and services allotted for consumption at 1981 prices.	1.45	1.45	1.45	1.45
The value of annual growth of the inflationary curve under conditions of fixed wages without any price or income operations.	0.4	0.4	0.4	0.4
The curve value at the start of the operation without any price or income operations.	0.4	0.6	1.0	1.4
Average price increase of goods and services necessary for the elimination of the inflationary curve with regard to compensation.	64	83	118	146

As is concluded by the above table, the country faces a dramatic dilemma. Each postponement of the operation presents us with a larger inflationary curve.

However, this is not the end. From the standpoint of exceptionally rapid growth of the inflationary curve to the bulk of market, (variable I:T), it needs to be asked, will the economy be capable of functioning at all with a curve of 1.0 or 1.4 trillion zloty?

A Partial Operation to Halt the Growth of the Curve

Looking for ways out, perhaps we should examine an immediate partial operation in the sense that its direct goal will be a temporary elimination of the inflationary gap, therefore, only blocking the source of further growth of the inflationary curve.

The advantage of such an operation would be a respite from the sword of Damocles, the avalanche-like inflationary curve would stop hanging over our heads. Let us examine this partial operation closer.

If this operation was initiated on 7/1/1981, after considering the necessary compensations, the price increase would be about 36 percent. Such an increase would halt a further growth of the inflationary curve, allowing for an annual period during which the curve would maintain itself at the permanent level of 0.4 trillion.

On the first of July, 1982, a new price increase on the average of about 36 percent would need to be implemented. This increase would enable a gradual elimination of the remaining curve during a period of one year, that is until 1/7/1983, with the stipulation that after 1/7/1983, there would be a possibility of increasing the purchasing power of monetary income by about 20 percent. An operation such as this, stretched out for the duration of three years is characterized by the following comparison:

	1/7 1981	1/7 1982	1/7 1983
Necessary price increase in relation to the 1981 level	36%	36%	
Level of the inflationary curve	0.4	0.4	-

The demonstrated proposition, minimizing price increases, is of course very attractive. Let us point out however, that its attractiveness depends upon the starting date since the size of the curve left after the elimination of the inflationary gap and the closely related condition of our market, is subject to the date of its implementation. A few months earlier it was possible to maintain that the inflationary curve, which at the time encumbered the economy, was tolerable. If stabilized, the economy would still somehow be able to function, under the condition of course, that preparation for its complete elimination would be started. It was therefore possible a few months ago to implement a partial operation, only blocking, for the time being, further growth of the curve.

However, the question arises, whether such an operation is permissible today, if under the present condition of the market it is possible to be contented with a mere halt in the growth of the curve. This would mean of course that in selecting a more modest price increase the population would have to pay for it by maintaining the deep level of disorganization which presently characterizes the market for the entire coming year.

Retail Prices and Reform of Producer Prices

Describing the price operation designed to eliminate the inflationary curve (drain operation), we have abstracted from these changes the level and relation of prices which can have as their goal the elimination of endowments and translating into retail prices the effects of price increases resulting from the reform of producer prices (cost operation).

It is our judgment therefore, that these two operations should be thought of separately, even though to some extent they can certainly be implemented together.

In the discussion of the second operation, which we simply call cost operation, we estimate that in respect to the purchasing power of the population, it will have a completely neutral character in the sense that all related retail price changes will be completely compensated by a suitable increase of nominal income of the population.

Let us now turn our attention to that which joins the two operations which may slip our mind by examining them separately. If the completely compensated cost operation was to be implemented at one time, then it would have to be accompanied by a very high increase of retail prices which would contribute additionally to the drain increase. Once more we wish to point out that such a joint operation would greatly reduce the already existing inflationary curve, thus, considerably decreasing the I:T relation. At the same time it would limit, to some extent, the nominal value of the curve itself by drawing from it the means for increasing the emergency fund, (this effect would be considerably smaller). Thus, both of the aforementioned phenomena, which from the standpoint of the scale of the necessary price increase would not have significance with only price operations, it can have real meaning with a joint price-drain operation. In this case, the cost element of the joint operation, to some extent, would "lessen the burden" of the drain operation, (it would, among others, create a small, "tolerable" inflationary curve). This is the basis for the importance of joining the two operations. We would now like to turn our attention to it.

Socioeconomic Barriers in Carrying Out the Operation

We have demonstrated two extreme variants for carrying out the operation. One is maximizing, in some sense, because it aims at eliminating the curve with one attack on the prices, (the elimination alone takes one year). The second variant is a minimizing operation in the sense that it is difficult to find one less aggressive in respect to the inflationary curve. Let us examine them closer, taking into consideration the socio-economic limitations that their implementation may encounter.

We must not disregard the fact that the economically advantageous sharp increase of 64 percent will not appear quite as difficult, from the view point of negotiations, when compared with the minimizing variant. It allows the government to offer the public something concrete in return for higher prices. It allows it namely, to promise the reinstatement of a balanced market, a halt to further price increases, and also to achieve increased purchasing power of the population's monetary income within a year of the price increase.

In connection with this, it needs to be recognized that each policy of a gradual price increase, anticipating a universal double or manifold increase, or including

in the increase successive groups of merchandise, has additional, real flaws. Gradual price increases, which after all should be announced to the public in advance, can create a peculiar psychological effect, by stimulating hoard buying. It may also reduce the inclination to save, and it may even provoke a shift of money from savings into the purchase of current goods, thus expediting the destruction of the market, especially of durable goods.

From this standpoint, a one time operation obviously has real advantages. It can immediately remove from the public's mind the very troublesome lack of balance among such basic products, which under the current prices are a small part of their expenditures, but which are also easily preserved. The balancing of the market among such products, whose irregular availability causes hoarding, requires occasional supplementing of the price operation with an increase of supplies, thus significantly increasing the availability of certain goods above their normal level. The point is, to convince the consumer of the permanence of improved supply and for him not only to stop hoarding, but also to begin to supplement his current consumption by decreasing excess household provisions. The accomplishment of such a supply operation can encounter limitations stemming from the lack of production capabilities, (this will, for example, pertain to cigarettes). That is why an effective way of approaching the supply operation would be a significant, uncompensated increase in prices of some of the hoarded goods, with a simultaneous announcement of their gradual decrease, thus reinstating a balance to particular markets.

Will the outlined price-wage strategy assure a total balance and partial balances?

Contradiction between the balance endeavor and the endeavor to protect the income of average groups.

Previously we have mainly concentrated on the problem of achieving total market balance, balancing the total effective demand with total supply. The fundamental goal of a retail price reform is, after all, to achieve at least close, partial balances in the markets of individual products, with the possible exception of meat, where it may not be possible to establish a price that would assure a balance under the current decreased production of that product.

To begin with it must be stated, that a return to a total balance by a draining increase in the average level of retail prices of all goods and services is a condition for obtaining partial balances. This goal will not be accomplished by raising prices of only certain groups of goods, especially food, (in this case, compensated for all population groups). This is mainly due to the fact, that there will be no possibilities of substituting food and other basic articles with industrial goods of higher value whose production is still subject to limitations.

At the same time, it needs to be affirmed, that reinstating total balance is necessary indeed, but not a sufficient condition for obtaining partial balances. An appropriate price structure is necessary in order to achieve partial balances. From here, the explanation for the possibility of achieving this goal leads to an answer to the question, whether increasing the average price level of goods and services will allow for such differentiation of their increases as to create balanced prices of individual products on the market, (will assure a state of the market close to that of 1973)?

This question we basically answer positively, provided that we must simultaneously indicate the defined weak sides of such a hypothesis.

Balance is not only determined by the supply of goods reaching individual markets, but also by regular deliveries, which here would be more important than the average size of the supply. A steady delivery is difficult to achieve under irregular import conditions and deep disintegration of the manufacturing apparatus. It therefore needs to be realized, that a price reform requires foreign currency in order to assure, during the period of increasing prices a regular supply from imports as well as industry and in some instances, the ability to intervene in the market in order to hinder hoarding.

The increase will be achieved under conditions of severe raw material and investment limitations, as well as under conditions of a peculiar "state of void" in the realm of management and planning system. (The old one already does not and the new one has yet to function.) This in turn creates a tremendous rigidity in the structure of the bulk of goods supplied to the market and the lack of ability to conform it to the changes in the demand structure. Among others, it will not be possible, for the time being, to shift the demand of the well-off population groups from articles of consumption to industrial goods. There will not be more of the latter ones than there is now, and it is possible that there will be even less. In this situation, we can expect that among the well-off groups and partially among the middle groups, in certain situations, will be an inclination to react to the price increase with a reduction of current savings.

In certain cases, the lack of partial balances causes compulsory substitution, (buying not that which is desired), which means that price changes must take into consideration the need to obtain a balance of individual markets with conditions of compulsory substitution.

The ability to assure partial balances through the price operation, to a great extent, relies of the structure of wage compensations.

A distinct contradiction exists between our endeavor to compensate not only the economically weaker groups, but groups of middle income as well, and the endeavor to assure partial balances of all market goods. The sad truth here, is that it will not be possible to assure the balance of articles of general use in the markets without decreasing the nominal purchasing power of middle groups. Their demand determines the balance. The economically strongest groups are not significant and besides, their savings are too large. Can they be forced to limit their demand for articles that satisfy basic needs with only a price increase or even an income tax? For example, the market of automobiles and gasoline can be balanced by limiting the income of the economically strongest groups, but the market of dairy products cannot be balanced by those means.

The non-price drain measures will not restore balance to the market of basic articles as well as will ultimate savings. This of course always includes only a small portion of consumers, and it therefore cannot limit the purchasing power of the bulk of middle group consumers of products that are unavailable. This group of consumers will not participate in appropriate savings, and directs their purchasing power to the unbalanced market of basic articles.

The Effect of Price-Wage Reform on Consumption

We have lived with the opinion that prices are increased in order to decrease the supply of goods to the market, in other words, price increases are treated as means to "belt tightening." This opinion completely disagrees with our current situation and goals which are to be accomplished by the indispensable price reform.

This reform is by no means an instrument for lowering consumption. Increasing prices, according to which goods will be sold on the market, cannot change in any way the physical volume of consumer goods and services. They are determined by production and supply capabilities, because each price increase is planned in such a manner that all goods designated for the market will be bought out. Not only that, we can prove that increased prices are capable, to some degree, of becoming a factor in increasing "effective" consumption by as much as they are capable, through the function of incentive pay, and in some areas, will also limit wasteful consumption.

The above inclines us to come up with another, seemingly paradoxical, yet practical conclusion. In many areas retail prices need to be increased exactly when there is a chance of increasing supply. The reason is simple. Price increases, in such an instance, are less painful. We, therefore, recommend an unconventional action. Increasing prices exactly when there is a chance of increased supplies.

We cannot stop at observations which include the influence of the macroeconomic side of price reform on consumption. Among groups of similar incomes, each family is characterized by a different structure of consumption and a different symptom of maintaining increased living costs caused by increased prices. Also, the inflationary curve localizes itself very differently in different households belonging to the same income groups. The phenomenon of compulsory substitution is also varied.

The result is that the compensated price drain operation will only take away the surplus money from some families, while among others it will indeed reduce spendable purchasing power; yet for other families it will create an opportunity to obtain an individual "drain bonus" in the shape of a converted inflationary curve into money, which after restoration of market balance, will be covered by a suitable bulk of goods. In a similar, varied fashion, the system will divide compensations related to the price operation.

We observe by this a peculiar contradiction comprised of the endeavor to sufficiently satisfy the social conditions that limit the price reform. The greater the compensation, the greater must be the price increases, but the larger the price increases, the more painful will be the negative consequences of varying the consumption structure and the related, varied living cost increases. This problem will acquire a special meaning when we will want to join the completely compensated drain operation with the cost operation, requiring significant price increases.

These negative, income side effects of the price reform will unfortunately not be possible to avoid.

But do we have an alternative? Is there another way?

Is There Another Way?

Everybody today probably realizes that the present condition of the market cannot be tolerated. We are also all aware of the huge socio-political intricacies of a price reform which would be capable of reversing the catastrophic condition that faces us today.

Consequently, the question arises, is there another alternative? We will try to describe two alternative solutions, leaving the final evaluation as to the degree of their reality up to the reader.

Expanding the Ration-Card System

The introduction of ration-cards for meat surely requires an acknowledgement of a certain objective need, one that is unavoidable. Instead, the further expansion of the ration-card system evokes apprehension, especially about maintaining low prices of articles purchased with ration-cards. Such a system intensifies the pressure on the inflationary curve in the markets of those goods which are not subject to regulations. This, therefore, works on the same principle as an infectious disease, which affects new areas of the market, forcing the government into ever larger expansion of the sphere of regulations, thus creating something of the nature of a "regulatory trap."

The expansion of this system must have a destructive effect on the agricultural market as well, and it is not possible to reconcile it with the expansion of the individual agricultural industry which needs a healthy market as it needs air. Regulation must of course also seriously impede the implementation of economic reform.

Exchange of Money

We have evidence from an operation of this type, which in 1950 was implemented with impressive efficiency. We recall however, that the essence of the operation is a sudden and completely secret preparation, which excludes the possibility of advance negotiations with the trade unions. This operation will in no way be consistent with the socio-political situation emerging in Poland and one which is our hope.

We will try to sum up the above considerations emphasizing that which in our articles we consider most important. First of all, we would like to call attention to the independent growth process of the inflationary curve and to its huge scale, which considers all measures of socially acceptable, anti-inflationary actions not very effective. We would further like to point out that the catastrophe of the market cannot be reversed only by price changes for which the bulk of the population is compensated. Indirect solutions were still possible a few months ago. Today we have two extreme variants at our disposition. Either a price reform, only partially compensated, or a further expansion of the ration-card system. Society must choose.

It needs to be emphasized again that we cannot take risks in implementing the price operation. Social consultations must be implemented in a way so that their result may be indeed credible. The choice, which society will make in today's most important matter to our common existence, will have decisive meaning in respect to our further growth.

COMMISSION FOR ECONOMIC REFORM REVIEWS PROBLEM AREAS

Warsaw ZYCIE GOSPODARCZE in Polish 4 Oct 81 p 9

[Article by staff writer K.S.: "Four Subjects"]

[Text] The 18 September session of the Commission for Economic Reform addressed itself to four subjects: Evaluation of the effects of Resolution No. 118; Proposals of principles for operation of material-technical supply in the interim period; Draft of a law concerning financial economy of socialized enterprises and the introduction of a new banking system. The session was chaired by vice premier Zbigniew Madej, chairman of the Planning Commission.

At the beginning, commission secretary Wladyslaw Baka stated that two new task forces had been formed: [one] team for the functioning of public services affairs, under the leadership of Prof Dr Aleksander Pukasiowicz and [another] team for fuel-energy affairs under the leadership of Prof Kazimierz Kopecki.

From the material presented by the Institute for Organisation of the Administration and Improvement of the Cadres, as well as from the course of the discussion it was impossible to give any unilateral, positive or negative indication as to the evaluation of the effects of Resolution No 118.

Taken as positive indicators were an increased independence of enterprises in the area of wages and employment, also the introduction of a wage formula tied to net production which forced the plants to take notice of the costs. Additionally participation of work crews in fields of planning and administration has been increased.

However, as for concrete results, Resolution 118 has not brought the expected results. This happened primarily because the supply conditions and also the cooperative unions underwent considerable physical disturbances. Many enterprises are working under deficit conditions. This makes it impossible for them to conduct independent fiscal policies. At the same time pertinent information on the resolution was rather late in reaching some of the enterprises, even after 4 months time (sic!). The resolution itself has changed only part of the regulations, without altering the heretofore existing legal infrastructure and it has not effected any changes in the organizational structure.

During the conference portion dealing with the Council of Minister's resolution pertaining to material-technical supply certain controversies emerged. The draft

of this document provides for a guarantee of supplies to those producers who fulfill a significant role in the fulfillment of social priorities while at the same time it weakens the position of those producers who operate in the production means market. The entire document pertains to the interim period.

Relative to the preceding the conferees underlined the fact that referring to a temporary support of a supply diversification has only a verbal character. This was so because there was no clear indication of a gradual departure from the diversification system as the situation improved. A presentation of such solution even if it were premature from the point of view of the current, catastrophic economic situation would have a serious impact from the society's point of view as it would tend to confirm a conviction that the reform is really aimed [gve] independence to the enterprises. Also underscored was the not too clear connection between the diversification system and the economic-financial system.

The representatives of the government and work enterprises also paid a lot of attention to organizational matters in particular to the matter of removing the enterprises from under the leadership of ministries and combining and transferring them to the administration by functional departments. Some reservations were expressed by questioning whether we were sufficiently prepared for this step. Organizational awkwardness could, based on the known and still widespread supply difficulties, have a very negative effect on the course of the production process.

The matter of imports of supplies was also not clarified. The diversification of supplies originating abroad or from cooperative or investment sources has not been defined with precision.

Deputy chairman Z. Madej, in summing up this part of deliberations, said that even though a divergence of opinions had been noted on many points, nevertheless, the presented draft, after necessary corrections, would soon be submitted to the Council of Ministers.

The next item for discussion referred to the draft of a law concerning the matter of financial economy of socialized enterprises and was presented by the Finance Minister Marian Krzak. Although this matter includes many details we will mention here only a few.

Similarly to the draft of material-technical supply, an accusation was voiced that the borderline between the target model and the binding principles during the interim, was not clearly defined and this caused many misunderstandings already during the commission's deliberations. Lack of this differentiation, especially in case of a financial system, has a very serious meaning as it may give an impression that the entire reform process has been purposely limited.

The question as to whether profit or income were to become the principal criteria in evaluation of an enterprise has flared up anew. The commission had, for the second time, after a strong exchange of opinions, declared itself in favor of profit with a caveat whereby some conferees admitted a possibility of using income as a guide, particularly during the interim period.

A lot of attention was paid to incorporate anti-inflationary devices in the economic-financial system. Attention was also directed to the fact that the point

subsidy system as an improper instrument, however, it was unavoidable during the interim period. Nevertheless, this system has to be submitted for social control including submission to the Sejm. For the umpteenth time the question of sources for the financing of technological progress was brought up. Also discussed was a question of constructing a defensive mechanism which would work in an accumulative way to protect enterprises funds from being "swallowed" exclusively by wages.

The presented solution was accused of being too stringent. Minister M. Krzak, replying to the accusation, stated that the national budget is one of the most important guarantees in the fight against inflation. A tax system which would have an anti-inflationary effect should not be considered as it was an element of an order-directive apparatus.

One of the most fundamental principles of the banking system was presented by Leopold Gluck and concerns separation of the bank from the finance ministry. This became a controversial subject. In the eyes of several conferees, particularly financiers, such a separation would prevent the state from influencing the financial policy. This accusation was countered that such fears were unwarranted because such a move did not totally mean absolute bank autonomy because banks could be subordinated to either the government or the parliament. On the one hand, thanks to this separation, it will be possible to present publicly difference of opinion in the area of financial policy, a fact which had been occasionally camouflaged and has been conducive of proper management of the means.

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POLAND

SPECIAL CURRENCY EXCHANGE RATES PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 2 Nov 81 p 4

[Text]

Polish National Bank

Warsaw 02 November 1981

Excerpt From Foreign Exchange Rate Table No 21/81

Special Currency Exchange Rates in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Australia	1 Australian Dollar	38.28	39.84	39.06
Austria	100 Schillings	208.94	217.46	213.20
Belgium	100 Francs	87.41	90.97	89.19
Denmark	100 Kroner	454.66	473.22	463.94
Finland	100 Markkas	750.14	780.76	765.45
France	100 Francs	582.13	605.89	594.01
Greece	100 Drachmas*	57.99	60.35	59.17
Spain	100 Pesetas	34.36	35.76	35.06
Holland	100 Florins	1,323.54	1,377.56	1,350.55
Japan	100 Yen	14.31	14.89	14.60
Yugoslavia	100 Dinars*	86.39	89.91	88.15
Canada	1 Dollar	27.93	29.07	28.50
Lebanon	100 Pounds	759.66	790.66	775.16
Luxemburg	100 Francs	87.41	90.97	89.19
Norway	100 Kroner	555.95	578.65	567.30
Portugal	100 Escudos*	51.13	53.21	52.17
Federal Republic of Germany	100 Marks	1,461.16	1,520.80	1,490.98
United States	1 Dollar	33.69	35.07	34.38
Switzerland	100 Francs	1,755.18	1,826.82	1,791.00
Sweden	100 Kroner	596.82	621.18	609.00
Turkey	100 Pounds*	27.17	28.27	27.72
Great Britain	1 Pound	61.15	63.65	62.40
Italy	100 Lira	2.76	2.88	2.82

* In purchase of currency from below listed countries the following exchange rates are used:

Greece	100 Drachmas	52.89
Yugoslavia	100 Dinars	74.74
Portugal	100 Escudos	46.39
Turkey	100 Pounds	22.92
Italy	100 Lira	2.52

Special currency exchange rates are used in settlement of accounts for current transactions.

Basic Currency Exchange Rates With a Surcharge in Zlotys

Country	Foreign Currency	Foreign Exchange and Money		
		Purchase	Sale	Average
Albania	100 Leks	181.84	183.66	182.75
Bulgaria	100 Leva	2,618.66	2,644.98	2,631.82
Czechoslovakia	100 Koruny	230.44	232.76	231.60
People's Republic of Korea	100 Won	1,057.19	1,067.81	1,062.50
Cuba	100 Pesos	1,730.05	1,747.43	1,738.74
Peoples Republic of Mongolia	100 Tugriks	459.41	464.03	461.72
German Democratic Republic	100 Marks	720.13	727.37	723.75
Romania	100 Lei	215.42	217.58	216.50
Hungary	100 Forints	156.23	157.81	157.02
Vietnam	100 Dong	201.08	203.10	202.09
USSR	100 Rubles	2,304.42	2,327.58	2,316.00

Basic currency exchange rates with a surcharge are used for non-trade payments. For travellers checks purchased in rubles from the Foreign Trade Bank of the USSR, and payable outside the USSR in the currency of the country were used, the exchange rate of 4,742.00 zlotys for 100 rubles will be used. Exchange rate table No 20/81 dated 12 October 1981 is no longer valid.

Exchange rate tables are available for view at all branches of the Polish National Bank.

CSO: 2600

OFFICIALS DISCUSS AGRICULTURE, FOOD PROGRAM

Comments of Deputy Minister

Warsaw DZIENNIK LUDOWY in Polish 18 Aug 81 pp 1, 3

[Interview with Prof Zdzislaw Grochowski, deputy minister for agriculture and food economy, by Hanna Lewandowska; 18 Aug 81, place not specified]

[Text] Extricating ourselves from the deep economic crisis will be hard. It will require the efforts and self-denials of everyone of us, and not just today but for many days and months, and even years. That is why it is important that we be able to define what it is that we want and can achieve, how soon, and what we are striving for. And this program does not have to be fascinating, suggesting that in a short time we will find ourselves at the peak of economic prosperity. What is important is that this program be realistic.

Such a program for the development of farm production and agro-food processing was prepared in the Ministry for Agriculture and Food Economy. The work on it was directed by Deputy Minister Zdzislaw Grochowski, with whom we are today conducting this interview.

[Question] Mr Minister: It was the group's ambition to prepare a program that could be implemented. But is this possible when the formation of a program is being begun at a time when the country's economy is as unstabilized as it is now?

[Answer] The program, which will be submitted within the next few days to the Council for Food Economy Affairs, is not a recent creation. It is the successive version of a program which, back in 1978, along with a group of other specialists, I began to work on as chairman of the Agricultural Economics Committee of the Polish Academy of Sciences. Naturally, this first program that we prepared at that time was more optimistic than the present one. However, we were starting from more favorable premises. Later, with the passage of time and the country's deteriorating economic situation, some very important revisions had to be made. This is an indirect reply to your question. The construction of a program under such conditions is not easy, but certainly it can be as realistic as possible.

The difficulties are further compounded by the fact that in the past 5-year period, and even earlier, we based the entire increase in animal production on import of fodder, which now is out of the question. In addition, within one 5-year period we had 3 years which were poor for farming, and so we had to deal with an atypical situation.

[Question] Do you believe that the picture will now change and the next years will be good for the crops?

[Answer] No one can guarantee that! We are assuming, however, based on data on the past, that such a large accumulation of poor crop years should not repeat itself. It would be fatalistic to believe that successively bad years would again appear.

[Question] Good weather is an invaluable factor in increasing yields. But agriculture does not live by weather alone. But before we talk about its needs, perhaps you would like to describe the more important assumptions of the program that has been prepared.

[Answer] There is no doubt that in the coming years Polish agriculture will develop under different conditions than it has thus far. Grain and fodder imports will not grow, but will shrink, and in 1985 we want to achieve full self-sufficiency in feeding the country. In practice, this means that the balance of foreign trade in agro-food products must be equalized in the near future. We often do not realize that in the last few years we have unconcernedly eaten up huge sums, a large part of the indebtedness which we must now repay. Since 1975 we have lived beyond our means; we have eaten up over 7 billion dollars, which, together with the interest, amounts to 9 billion dollars, or one-third of our present total debt. To continue that policy is out of the question, even though a return to life in keeping with our actual resources is now so unpleasant and difficult.

[Question] You speak of self-sufficiency in feeding the nation, and you say that this should occur in 4 years. Aren't these plans a bit bold?

[Answer] I believe that this is fully possible. But in order to do this, we must cut grain and fodder imports in half and increase the country's crop production. In addition, please do not forget that not too long ago we fed ourselves and were also an exporter of food. That's the way it was for 20 years, until after 1973-1974. Why should it be impossible to return to that? But we must realize that in implementing this goal for 1985 we will not be able to increase meat consumption in the country to the 1980 level, when it was highest.

In developing the program we have accepted two variants. In the first we envisage an increase of mineral fertilization to 220 kg NPK [nitrogen-phosphorous-potassium] per hectare, and in the second, an increase of fertilization to 250 kg NPK/hectare. Assuming the first of these variants, which I believe is the most realistic, meat consumption in 1985 should be 54 kg per 1 inhabitant, i.e., 9 kg less than in 1980. In the second case, meat consumption should reach a level of 72 kg per statistical Pole.

[Question] This is not a happy prospect.

[Answer] No, I never said it would be. But we cannot continue to live off others or live on credit endlessly. In any case, I am not excluding the possibility that things may be better than we are predicting, but I would rather not, in my calculations, count on luck or manna from heaven.

[Question] We know that during the next few years we will not see pork chops on our tables very often.

[Answer] Yes, but the tables will not be bare. We do not have to be afraid of that. There will be enough of everything on them that is indispensable for nutrition, with the exception of meat, of which there will be somewhat less. All of our estimates indicate that.

We expect that in the coming years we will be dealing with a compensational increase in crop yields to allow for the lack of mineral fertilization in the second half of the 1970's. We believe also, that stopping the flow of land to the socialized economy will make it possible for us to allocate all of the increase in fertilization to the private farms, which also improves the chances for higher yields. Under these circumstances, we believe that the average level of grain yields in 1985 should reach about 29 quintals per hectare, and the yields of all crops should be about 35 quintals per grain units per hectare.

We anticipate important changes in the structure of farm production, particularly in the State Farms, which should occupy themselves to a lesser degree with animal production and concentrate on increasing the production of grain. We envisage that in 1985 a total of 8.2 million hectares will be earmarked for grain production. We will also reduce the acreage of lands allocated for potatoes to about 2.2 million hectares. The acreage for commercial crop production, however, will be increased: sugar beets, to 500,000 hectares, and oleaginous crops to 480,000 hectares. Yields of these crops will also increase. Vegetable production will increase 22 percent, in comparison with 1978-1980, and there will be 34 percent more fruit.

[Question] There is no doubt that we will have enough to eat. The question is, however, how much of what grows will we be able to use to feed animals, since the amount of produced meat will depend on this.

[Answer] There should be 14.8 million tons of grain for feed for the producer livestock, and according to the more optimistic variant--16.3 million tons. But I believe also that the fodder feeding effectiveness will improve, that it will improve about 4 percent. This will be the result of increasing the production of pork slaughter animals and milk at the expense of decreasing the production of beef slaughter animals, and also--what is very important--increasing the participation of the private economy in animal production and liquidating the less efficient farms, especially the farm circle group farms.

[Question] The widespread clamors will finally be acted on.

[Answer] Unfortunately, only now. Returning to animal-feed effectiveness, we expect that the small farms will become interested in animal production, since in the last few years a considerable amount of fodder on these farms remained unutilized. Assistance from industry is also indispensable, for larger amounts of mineral and chemical additives for fodder will be needed, and also better technical outfitting of the farms.

Finally, the matter--in my opinion the most important one--of farm policy, which should favor the activation of peasant farms.

[Question] It seems to me that there is a great deal of agreement on this issue between the authorities and society. But what is disturbing is the voices heard here and there recently about the need to return to compulsory deliveries.

[Answer] That is the worst thing that could happen to agriculture. After 1970, we discontinued these deliveries because they were an inhibiting factor in the development of farm production. A return now to these deliveries would produce the same effect. And those, who are afraid that the farmers will not want to sell what they produce should know that the way to settle this matter is not through orders, but through regulation of the market. Until we change retail prices, we will not solve this problem.

[Question] A good farm policy, furnishing agriculture with the necessary production resources--this would be a great deal. Wouldn't it be enough so that we could jump this low, for our appetites, bar in the form of 65 kg of meat per person in 1985?

[Answer] In our predictions we took into account both the material premises, which will determine the growth in production, as well as the nonmaterial factors, such as farm policy. It will be very difficult, however, as I just said, to cross this 65-kg-of-meat threshold.

In the next few years our population will increase. We will have to increase meat exports and bring them back to the former 300,000 tons a year, in order to equalize the balance of payments. To say nothing of the fact that the replenishment of the livestock population does not take place in one year. In the case of cattle, it will not be possible to halt the downward trend until 1983-1983, and even in 1985, a large share of the herds will be young animals, whose meat we will not eat until 1986-1987. In practice, therefore, most of the increase in slaughter animals during the period mentioned will come from pork slaughter animals. Nor will there be an increase in poultry, for its production on the large farms is wholly based on imported feed. Thus it will be maintained at about the same level as now.

Of course, the shortages in meat supplies will have to be compensated with other protein products. That is why we attach an enormous importance to increasing the production of milk and to managing it in such a way that the supply of milk and its products is as high as possible. We have chosen this way of compensating for the meat shortage because from one unit of acreage we can obtain more protein contained in milk than protein contained, e.g., in beef. What is important to us, and this was our goal when we were working on this program, is that the nation be fed as well as possible, both in terms of quantity as well as in quality, during the difficult period of crisis in the country. And it seems to me that we will be able to achieve this goal, and actually, to reconcile two goals: the development of agriculture and food production, based on a sound and reasonable foundation, and a return to self-sufficiency. I am, I repeat, firmly convinced, that Poles can and should feed themselves.

Grain Products

Warsaw DZIENNIK LUDOWY in Polish 25 Aug 81 pp 1, 3

[Interview with Dr Kazimierz Nowakowski, director, central office of the grain-milling industry, State Grain Elevators, by Wacław Potocki; date and place not specified]

[Text] In the August 18th issue of DZIENNIK LUDOWY we began a series of articles aimed at showing methods of surmounting the food crisis. The first article was an interview with Prof Zdzisław Grochowski, titled "Program for Agriculture". We want to acquaint our readers with the actions now being taken by the authorities which are of an immediate nature, as well as with the plans for the future. There is nothing more important at this time than a transition from regression to an albeit slow but systematic and consistent improvement in production and availability of market supplies. Without this, it will be difficult to implement the basic goal, which is the proper feeding of the nation.

[Question] Dr Nowakowski: In recent years, the grain-milling plants have been hard-pressed to keep up with the growing demand for their products: flour, groats, and flakes. Each year the commercial market orders thousands of tons more flour (this year it was even 300,000 tons more), while the production capacity of the mills remains the same. Will rationing of the grain products and increased prices help to normalize the market supplies in the near future?

[Answer] At the present time some assortments of bread and cereal products cost two to three times less than rye and wheat. The present low price of bread, flour and cereals is responsible for the large waste in these products, especially in the cities, and using them as feed. Rationing of flour and groats, while it fully filled the population's needs, reduced the use of these products as feed in the pigsties and cow sheds. However, it has not solved the problem. Higher prices will also result in reductions of bread purchases for feeding purposes and less waste of bakery products in the cities.

As a result of increased prices of bakery and grain products, it is envisaged that about 10 percent of the bread and grain products will not go for fodder. This will bring with it further results in the form of savings in electrical energy, since milling one ton of grain for flour or groats and using it in the form of fodder triples the energy consumption which would be needed to mill the grain for mash. There are further economic savings in baking and transporting, since mills are often dispersed and sometimes flour must be hauled hundreds of kilometers to the bakeries. The grinding of grain into mash usually takes place close to where the farmer lives.

A reduction in the demand for grain products will also facilitate improvement in the operation, maintenance and repair of the mills. At present, in order to satisfy market requirements, the mills operate at higher speeds and beyond their capacity. Since 1976, scheduled overhauls are performed on scarcely 50 percent of the installations.

[Question] What action is the central office of the grain-milling industry taking to normalize the grain-milling and bakery-goods market as rapidly as possible?

[Answer] During the fourth quarter of this year, our mills will deliver about 830,000 tons of flour and about 70,000 tons of groats. These quantities are about the same as this quarter's deliveries. It is anticipated that demand will drop somewhat as new prices go into effect. By maintaining the present work schedules in our plants and working on some of the free Saturdays and on Sundays, we should be able to deliver over 3,300,000 tons of flour and about 300,000 tons of groats next year. This is sufficient to meet our present requirements. In addition to operating on days that are normally nonworking days, and reducing the indispensable shutdowns for repairs and fumigation to a minimum, we are attempting to expand production in the mills of the Central Union of Agricultural Cooperatives and in the crafts for our orders. It is expected that next year these mills will deliver about 300,000 tons of flour.

In addition to the mills which are under our central office, we have 1,150 mills in the country that are under the Central Union of Agricultural Cooperatives. They have a production capacity of 500,000 tons of flour a year. There are also 1,060 crafts mills, with a grinding capacity of over 200,000 tons. We realize that due to lack of spare parts for the machinery, and lack of millers, we will not be able to start up all of the mills, and even those already in operation will not be totally available for State Grain Elevators' requirements, because their first priority is to grind the grain for the neighboring farmers.

Aware of the huge demand for grain products and the necessity for improvements in the field of operation and repairs, the central office of the grain-milling industry is also currently undertaking many noninvestment activities aimed at increasing the production capacity of the existing mills. These include production of dark rye and wheat flours, based on simplified methods. The load on the so-called grinding gap of the rollers is being increased and all mills are being inspected to eliminate bottlenecks in the operating systems. These activities should increase the production capacities of our mills by almost 6 percent.

In order to fully meet the demand, we must also contend with a shortage of millers and helpers. At the moment the working and wage conditions in our plants do not encourage people to take these jobs. Many basic materials and spare parts are also lacking, which increases the breakdowns and shutdowns. The fact that many bakeries are not prepared to receive deliveries of flour in bulk also makes it difficult for us to operate efficiently. Meanwhile, we have enough special vehicles and are able to increase deliveries of flour in bulk, which simplifies and speeds up transport and loading.

[Question] These are only emergency actions and will not improve the availability of flour and grain products to any great degree. There are not enough mills, and to ensure an adequate amount of flour new mills will have to be built. How does your program look in this regard?

[Answer] Indeed, there are simply not enough mills. At present, in the enterprises that are under the central office of the grain-milling industry there are slightly over 200 mills. Most of these are old buildings, tens of years old (only six mills were built after the war). They are also unevenly dispersed. There are not enough plants in the southern and eastern regions of the country, which means that grain for milling and flour must be hauled for large distances.

In order to increase the production of flour and grain products as quickly as possible, in May of this year the Council of Ministers approved a detailed program for flour-milling expansion during 1981-1986. It foresees the construction of several large mills with a grinding capacity of 300 to 600 tons per day in the large population centers, including in the Silesian region in Krakow, in Plonsk, Warsaw, and Pabianice near Lodz, and 30 small aggregate mills, with a 60 tons per day capacity, located principally in the southeastern voivodships where there now is a shortage of such installations. These mills will be located primarily near existing grain warehouses, and their production will be intended mainly to supply the local market.

The program also provides that mills will be located in farm buildings that have been adapted for this purpose, which should eliminate construction work and hasten completion and availability of the mills. Additional production capacity will be obtained also by modernizing existing buildings.

When all of the tasks envisaged in the government resolution are fully implemented, flour production during the next 5 years should increase by almost a million tons yearly, which will be a 30 percent increase in the present production capacity. This will eliminate all of the difficulties in supplying the market with the indispensable amounts of grain products and will also make it possible for all mills to operate at the proper level.

Dairy Products

Warsaw DZIENNIK LUDOWY in Polish 27 Aug 81 pp 1, 3

[Interview with Bronislaw Hyziak, president, Central Administration, Union of Dairy Cooperatives, by Stanislaw Ozonek; date and place not specified]

[Text] [Question] Mr Hyziak: Because of the difficult situation on the food market, our society is very interested in knowing what will be available on this market during the next few days and weeks. We know that milk and its products make up a large part of this market. We also know that the peak months for milk procurement have already passed and the time is coming that this procurement will fall below 30 million liters a day, and in the winter, even below 20 million liters. What, under these circumstances, can you promise the consumers of your products?

[Answer] The situation in milk procurement continues to be disturbing. In 7.5 months we procured 823 million liters of milk less than in the same period last year. The reasons for this are known: Last year's disastrous failure in fodder production and its much worse quality meant that dairy herds were reduced by 200,000 cows and the condition of the herds was greatly weakened. The cows went to pasture in the spring in wretched condition. Their lactation yield is lower than in previous years. Under these conditions we tried to reach every farm in which there is even a small amount of commercial milk. Through our network of wagons we call on up to 1.3 million farms in over 30,000 villages every morning. We go to some of them twice a day--weekdays, holidays, and on nonworking Saturdays, regardless of freezing or sweltering weather, blizzards or downpours. This is a good, disciplined cadre, who understands its duties and place in feeding the nation. Despite these efforts, however, milk procurement continues to be lower than last year. In July we procured 53 million liters less than in July of last year.

[Question] But those in the know say that you have good workers not just in procurement. In processing also, you have those who even from this small amount of milk are able to produce large quantities of products.

[Answer] This sounds like irony, but it is a fact. The milk cooperatives, indeed, in July produced and delivered to the market over 16 percent more consumable milk (i.e., 35 million liters) and 29 percent more cottage cheese (i.e., 4,870 tons) than in July of last year. This, of course, has nothing to do with miraculous multiplication or falsification. We have greatly reduced the production of casein and powdered skimmed milk. The minister of foreign trade will have reason to blame us for this, although the consumers who are constantly complaining that there are shortages in everything have not praised us. We make this cottage cheese in plants that are suitable for the production of casein, so they have no cooling equipment. Thus the cheese does not keep as long. But it goes like hotcakes.

[Question] Indeed it is lean, and this applies not only to the cheese. What do the dairymen and we, the consumers, gain by your pursuit for fat?

[Answer] The long-continuing pursuit for butter production has actually caused many big changes in our production. We defatted consumption milk to 2 percent, we defatted cottage cheese and cream, and we stopped producing full-cream cheeses. Since August 15th, in accordance with an Anti-Crisis Staff decision, we market-produce only cream with a 9 and 12 percent butterfat content, and even then, we produce 25 percent less. All to rescue the production of butter.

The structure of fats consumption in our country is very faulty, principally due to the faulty price policy. After several attempts to raise prices, it has come down to this: the cost of producing one kilogram exceeds 340 zlotys, but the sales price is 10 zlotys. Ten years ago, i.e., in 1970, we produced 127,000 tons of butter, and the market was saturated. The consumers complained that this butter is encrusted, that butter is rancid, for it lay in the stores too long. We were not able to sell all of the production on the domestic market—we exported 12,500 tons. Last year we produced 252,000 tons of butter, i.e., twice as much, and we had to import 18,500 tons. And even then, there was a butter shortage. This pursuit for butter forced us to a pursuit for fat. We had to further defat our products, and consequently, the quality, storage life and taste are worse. We've gone as far as we can in that direction.

We are committed to provide the Ministry of Domestic Trade and Services with 23,750 tons of butter monthly for rationed sales requirements and the mass nutrition plants. In order to maintain this level until the end of the year, the government Anti-Crisis Staff decided that the cream sold on the market must be defatted and its supplies reduced 25 percent. This operation, plus the larger than anticipated milk procurement in the fourth quarter (over the fourth quarter of last year) which we believe will be possible because the dairy herds have recovered, there is considerably more fodder and the quality of it is much better, makes us believe that the present level of deliveries of butter, milk and cottage cheese can be maintained to the end of the year.

[Question] And what can we expect in the early months of next year, when the daily procurement of milk drops below 20 million liters?

[Answer] We are very worried. We have accumulated some stocks of milk in powdered form, both from our own production and from imports—which, in any case, we are continuing to import. This should make it possible for us to increase the production of cottage cheese, and thus, indirectly, consumption milk. We have small reserves of ripening cheeses, for melting, and we have accumulated some frozen cottage cheese, which, together with the ripening cheeses, should serve as a raw material for melting. In this way we want to maintain the level of supplies of consumption milk, cottage cheese and melting cheeses during the winter period. But we are very afraid that we may not be able to do this.

[Question] A great deal is being said recently on the subject of regulating retail prices, which in the case of your products is to be simply an increase in the retail prices, and a very large one at that. How does the management of the dairy cooperatives see this and what does it expect as a result?

[Answer] In our situation this is a necessary evil, for our dairy market is abnormal, having reached the point that for 1 liter of milk sold one can buy 5 liters of consumable milk that has been processed, homogenized and pasteurized on expensive equipment. For one liter of whole raw milk one can now buy a fourth of a kilogram of butter. All of this is an anomaly that cannot be maintained. The world has never seen anything like this. An increase in the retail prices of our products will make it possible to regulate this uncontrolled, upside down market. We look forward to a great improvement when the new price of butter goes into effect. We believe that it will produce a greater interest in margarine, vegetable fats, etc., and by doing so will reduce the consumption of butter. This will allow us to increase the production of cheeses, cottage cheese, powdered milk for infants, and consumption milk. We will be able to return to the production of milk with at least a 3 percent butterfat content. This milk can be used to feed children, which would alleviate the demand for powdered milk.

[Question] In your opinion, can the price increases planned by the State Price Commission restore the dairy market to the balance that was in effect during 1973-1974?

[Answer] They will not yet cover production costs, but we believe that they will have an influence on thrifty management, there will be a different approach to the job, and there will no longer be waste in the households. If, at the same time, there is an increased demand on the market for other food items, then we can definitely restore a relative balance to the market. I do not conceal the fact that our main purpose now is to reduce the consumption of butter. This fat is very necessary for the production of the better ripening cheeses and cottage cheese, and for milk that is tasty, highly nutritious, and fully suitable for feeding to children.

[Question] We know that the increases in retail prices of food will go into effect at about the same time as the economic reform now being prepared. To what degree will these operations influence an improvement in management in your plants?

[Answer] The recently disseminated opinions about a great waste of milk are highly exaggerated. A month ago, Prime Minister Jaruzelski ordered an inspection of our plants by a large team of inspectors. They pointed to many shortcomings, but no where did they ascertain that milk suitable for processing was being rejected

or wasted. On the other hand, they determined that even soured milk is processed everywhere into casein or cottage cheese.

As far as the fate of the future independent, self-governing district dairy cooperatives is concerned, we are sure that under the new conditions the activists and staffs of our cooperatives will be greatly interested in an improvement in management and increased turnovers. And thus, in an increase in procurement, or in the practical increase of dairy cow productivity in our country. I believe that only now will the work on increasing the lactation yield of cows become a very important matter for our cooperatives. Within the ranks of our raw-materials services we have many good specialists who are capable of making a significant contribution to increasing the lactation yield of our cows, which—why conceal it—is shamefully low, probably the lowest in Europe.

Fats and Oils

Warsaw DZIENNIK LUDOWY in Polish 3 Sep 81 pp 1, 3

[Interview with Jan Wawer, director, Association of the Oil Industry, by Franciszek Nasinski; date and place not specified]

[Text] [Question] Mr Wawer: This year's harvests are coming to a close, and everyone says the crops have been good. They are happy. The first to be gathered is the rape. It's procurement is ending. The storerooms already contain 460 tons of rape. A little more will still "flow" in, but that will probably be the end and in total there will probably be no more than half a million tons. How do you assess this situation?

[Answer] With restraint, for the yields are average and the crop also. After the rape is dried, the oil industry will have, I estimate, about 430,000 tons of raw material. The yields this year were average—17.6 quintals from one hectare. I do not conceal the fact that we wanted much more. The rape harvests in 1976 were sensational. Yields then were 24.6 quintals, and 960,000 tons were harvested.

[Question] Rumor from the gminas has it that the contracting for rape for next year did not go well.

[Answer] Unfortunately, that is true. By the end of August 20th, less rape was contracted for than last year. The farmers are grumbling that rape is hard to cultivate and that it is particularly sensitive to frost. Problems with the purchase of mineral fertilizers are also having an adverse effect, and rape, of course, requires high fertilization, especially with nitrogen, about 200 kilograms of fertilizer in pure ingredients. It also requires hard-to-get disease- and pest-resistant agents.

[Question] Yes, I heard the deputy minister for the chemical industry say, in the presence of Roman Malinowski, the deputy prime minister, that the seed dressing for rape will be produced this year early in September. This is already after sowing has taken place.

[Answer] Yet we have many loyal planters of rape both in the socialized sector, which supplied us with 360,000 tons of rape this year, and among the private farmers, who this year gathered slightly over 100,000 tons. They have been getting high yields, up to 30 quintals per hectare, and thus, high incomes.

[Question] But the situation indicates that the attractiveness of growing rape, in comparison to grain and other commercial crops, was not sufficient for the farmers.

[Answer] Especially, since insofar as grains are concerned, the farmer gets straw—from beets, beet pulp, etc. From rape, we get an oil cake, which is a valuable component of concentrated fodder. But the oil cakes go to the fodder processing plant and they support the national fodder balance.

[Question] Will this year's harvests ensure sufficient supplies of raw materials for the oil industry?

[Answer] No. We will be able to process approximately 800,000 tons of rape into oil. The remainder of raw material indispensable to us must be imported. It is true, however, that even if we had a million tons of our own rape, we would still have to buy soybeans or soya oil, sunflower oil or palm oil abroad, since they are indispensable ingredients of plant fats, palm butter and sugar fats. Except that if there is a surplus of rape or oil, then it is easier to import the indispensable supplementary ingredients.

The subbranch, despite the fact that foreign trade here is centralized and all revenues flowing from it go into a common treasury, does not feel then that it is "begging". We will have 160,000 to 170,000 tons of oil this year from our own rape. However, if we want to keep deliveries to the market at the planned level, we will need 120,000 tons of oil more.

[Question] Vegetable fats are becoming more and more fashionable. More are being bought and used all the time.

[Answer] In Poland, everything is "fashionable" right now. Everything disappears from the shelves. In 1979, we delivered 38,000 tons of oil in bottles to the market and there was plenty everywhere.

[Question] Aside from this, there was also olive oil imported from Spain and Greece.

[Answer] True, but these were not large amounts. Yet during the first six months of this year we delivered 28,000 tons of this same oil and you don't see it on the shelves at all.

It is true, however, that the consumption of vegetable fats abroad is much higher than here. There, their share in the structure of consumption is over 40 percent. Here it is slightly over one-third. During the first half of last year, there were a total of 309,000 tons of fats on the market, including pork fats, 77,000 tons, butter, 121,000 tons, and 110,000 tons of vegetable fats. During the same period this year, there were 1,000 tons more pork fats, 500 tons more of butter, and 18,000 tons more of vegetable fats.

[Question] What deliveries does the oil industry expect to make to the market by the end of the year?

[Answer] From August to the end of December, total deliveries will be 124,100 tons of vegetable fats, including 82,000 tons of margarine, which means that margarine supplies will be 4 percent lower than during the same period last year. I believe that these supplies can be increased if some work on the free Saturdays is done. But deliveries of oil will grow by 16 percent, and fats for processing will increase by about the same amount.

We will achieve this if we utilize our full production capacity. All our refineries and fat hydrogenation plants, except for three, operate continuously, just like the steel mills, and the margarine processing plants work three shifts on all working days. The free day is designated for washing and disinfecting the installation.

I do not have to explain that under these circumstances the oil industry is very sensitive to all reductions in supplies of power, coal, indispensable ingredients, and packaging. We stand on our heads to find solutions, because our production losses cannot be made up. We have more than enough troubles. But I will not cry on your shoulder, because certainly I am being paid, I and my co-workers.

[Question] It appears then, that the oil industry operates without any reserves.

[Answer] Unfortunately, that is true. Furthermore, our industry has installations of a high degree of wear--58 percent, to be exact.

Investments are indispensable. The Council of Ministers passed an appropriate resolution on this matter in May of this year. Outlays were anticipated for new investment and for modernization, totaling 5.5 billion zlotys, which would make it possible to increase the production capacity for margarine by 50 percent, refined oil by 70 percent, and hydrogenated oils, which are the basic semifinished products for the production of margarines and sugar fats, by 100 percent.

Until these investments are made, the size of the oil industry production, i.e., deliveries of vegetable fats from domestic factories next year will not increase and will amount to a total of 296,000 tons of vegetable fats, including 196,000 tons of margarine, 52,000 tons of edible oils, and 41,000 tons of fats and oils for other buyers for further processing.

[Question] Going back to your earlier statement that more vegetable fats are consumed abroad, I would like to observe that there they are offered to the consumer in a much broader range of selection, e.g., in the form of an excellent cocoa paste.

[Answer] We are very aware of this. We, too, would want to do this, and could, but we have no field for maneuvering, for our production capacity is fully utilized, and furthermore, enhancing our production with such products would require that imports of ingredients would have to be expanded. At the moment, we cannot do this. However, as I mentioned, we are trying to expand our industry and increase its production capacity. The economic situation, too, must finally improve. Then our export-import capabilities will improve and then we can also expand the assortment of fats produced by the oil industry.

Sugar Industry

Warsaw DZIENNIK LUDOWY in Polish 8 Sep 81 pp 1, 3

[Interview with Tadeusz Piasecki, managing director, Association of the Sugar Industry, by Wacław Potocki; date and place not specified]

[Text] [Question] Mr Piasecki: The beet-sugar campaign this year is expected to be difficult and arduous. Difficult, because the farmers and the sugar factories have greater problems with the machines, the spare parts, transport and coal. Arduous because the beet crop is very plentiful, shapely and rich in sugar. The belief prevails that this should be a sugar-rich campaign. Do you confirm these opinions?

[Answer] This year is not an exceptional year in beet planting. Considering the last few years, we can say that this year is an average one. The condition of the plantation, however, is much better than last year's, which, due to the weather and low yields, was exceptionally bad for the sugar industry. This year we shall harvest beets from 482,000 hectares. We estimate that about 90 percent of the plantation will be good and average and there will not be much that is poor or soaked. The yields promise to be high. We expect that the farmers will deliver about 15.5 million tons of roots to the sugar factories. The factories will have plenty to process; they will have over 30 percent more raw material than they had a year ago, and more sugar will be produced.

[Question] How well are the sugar factories prepared for this year's campaign?

[Answer] From the technical standpoint, our 79 sugar factories are well prepared to process the beets. This year we spent over 2.6 billion zlotys for repairs and modernization. This included the construction of new boilers and turbines, replacement of worn cutters, centrifuges, strike pans, mixers and evaporating apparatus, and modernization of the filter plant. All work has been finished and on September 5th our factories were ready to process beets. On Saturday, September 5th, the first factories in the Lublin region started up. In the last few days the deliveries of the basic production resources, particularly coal and limestone, improved. Our most recent agreements with the Coal Sales Center on delivery, during the third quarter, of 1.2 million tons of coal, are at the moment being complied with without any large disruptions. We also expect that deliveries during the fourth quarter will be on schedule and that the campaign will not be disrupted or brought to a halt. Limestone supplies are even better. Almost 700,000 tons of beets have already been accumulated in the storeyards of the sugar factories. Another 400,000 tons are to come in during September and the entire fourth quarters, which should fully cover our requirements.

We have also established plans for delivering and hauling the beets from the fields to the procurements centers and sugar factories. In this year's campaign, the beets will be hauled principally by the State Motor Transport, the Polish State Railroads, the Agricultural Circle Cooperatives, and also by the planters. Contracts have already been concluded and approved. Despite the transport and fuel problems, our haulers have assured us that the beets will have priority and the sugar factories will not have to wait for them.

[Question] The campaign this year is beginning exceptionally early, during a period when the beets are still growing and their sugar content is increasing. The sugar factories are paying high supplements to encourage the farmers to dig up beets that are not ripe and contain less sugar. The farmer does not lose anything on this, but the state does, since there is less sugar from the September beets. Under these circumstances must we begin the beet-lifting so early and how much sugar are we losing by this?

[Answer] In our weather conditions the beet campaign should begin early in October. September, and the first days of October, are still a period of vegetation for the beets, and the sugar content continues to increase. Years of study have shown that under good weather conditions each hectare gains about 40 quintals of beet bulk in September. Beets that are lifted in September contain about 1 percent less sugar than beets lifted in October. Considering this, we should begin lifting and processing sugar in October and finish in the final days of December. The campaign should not go over 85 days. Unfortunately, with the present processing capacity of our sugar factories, now standing at 150,000 tons of beets per day, this is impossible. On an average, thus, the campaign last from 105 to 110 days, and in certain regions, even 130 days. If we were to begin to process beets in October, we would have to extend the campaign at least to the middle of February, and then the sugar losses would be much higher. Long-term data show that by processing beets in January we lose 5 to 6 percent more sugar than in September. When the beets are frozen and thawed, they also shrink in bulk. Also, from the standpoint of transport and fuel problems, a September campaign is less costly than a January campaign.

[Question] What can be done then, to prevent this and also other losses in sugar that we suffer during the campaign?

[Answer] Due to the inadequate processing capacity of our industry, we lose thousands of tons of sugar each year. These losses result from the extension of the campaign in time and they can be reduced only by increasing the average daily processing capacity of our sugar factories, thus shortening the processing to 85 days. But this requires enormous investment outlays.

In the absence of large investment outlays, we can, however, reduce the much greater sugar losses that occur through improperly conducted lifting, through premature topping, and leaving the beets in the ground. Scientists and practitioners have proved that a beet that has been topped and not dug up loses 1.3 percent sugar after 6 days, and sugar losses reach 2.25 percent after 9 days. Our studies have shown that farmers lift 22 percent of the beets 6 days after topping them, and only one-third of the beets are dug up immediately after they are topped. If lifting is done efficiently, thousands of tons of sugar additionally can be obtained. But if this is to become a reality, our agriculture must be equipped with harvesters to gather beets. Until this can be done, our farm and raw materials services must visit the planters more extensively to advise and assist them during the beet-digging period.

[Question] Will the earlier beginning of the sugar campaign mean also that the average sugar consumer will get more sugar sooner?

[Answer] The startup of the beet campaign in September will make it possible to produce about 100,000 tons of sugar during this month. We believe that the first

people to receive sugar should be the beekeepers, for winter feeding of the bees, otherwise there will be no honey next year. Also, we should increase supplies to the stores, to prevent supplies from falling to a critical minimum. There must be complete coverage for the September and October ration cards. The confectionery industry should also see a small increase in sugar supplies.

[Question] Will the abundant sugar campaign have a greater impact on the market at a later time?

[Answer] During this year's campaign we will produce somewhat more sugar than we need for normal domestic consumption. We believe that there should be enough sugar to replenish the reserves in trade and industry, to fully meet the requirements of the beekeepers and institutions, to increase the quotas for the confectionary industry, and also to increase the monthly rations for the people.

[Question] It appears then that the production of a larger amount of sugar will not mean that there will be enough of it. We will continue to be a force in the growing of sugar beets and we will continue to obtain our sugar by rationing. Does the association which you direct have a program for overcoming this sweet crisis?

[Answer] As I said earlier, our sugar industry is still underinvested. It requires huge outlays for the construction of new and modernization of already operating plants. At present, the average age of our factories is 94 years, and 12 plants have been operating for over 120 years. Their level of modernity and the technical condition of the machinery and equipment is below the average of the European level, and the average processing capacity of one statistical sugar factory is the lowest in Europe. In the postwar period, only four factories have been built in the country (the fifth is under construction). Yet during the same period we built 67 complete facilities abroad.

At present a program for the reconstruction of our sugar industry is being prepared in the Sugar Industry Association. It covers the modernization and reconstruction of old factories and the construction of modern plants. The technical facilities and the raw materials base of our industry will also be expanded. But only the implementation of this program will produce a perceptible improvement in the sugar market.

Fruit, Vegetable Industry

Warsaw DZIENNIK LUDOWY in Polish 15 Sep 81 pp 1, 3

[Interview with Jacek Fraczek, assistant director of the Association of the Fruit-Vegetable Industry, by Anna Staniewicz; date and place not specified]

[Text] [Question] Mr Fraczek: A year ago, processing was threatened by poor crops. This year there is talk of successive "disasters" in cabbages, tomatoes and cucumbers. How is this year's campaign proceeding in the plants which belong to your association?

[Answer] Early predictions suggested that fruit and vegetable crops would be good. But these hopes have had to be seriously revised and the situation in processing

is not rosy. A classic example, insofar as fruits are concerned, are strawberries. It was supposedly a record crop, yet we processed less than last year. The same with black currants: the plan called for 17,000 tons, we processed 10,000 tons. But still the picture is much better than last year, which was disastrous. In general, however, the fruit crop did not measure up.

We know already that there will only be half of the 250,000 tons of apples expected. The MacIntosh and Star King varieties did not bear fruit and the total lack of pesticides greatly reduced the yields of the other varieties. Only the apples in the protected centers, such as Grojec or Radom, look better. In the Carpathian and Lublin regions, where household orchards dominate, the situation is much worse. After last year's record yield, the "Hungarian" plum crop was a disappointment. Today I talked to the manager of the enterprise in Nowy Sacz. It seems that in this main base for plums, only half as much will be picked as last year. Fruits, this season, are scarce and expensive, sometimes totally out of relation to the harvests. Before the season began, for example, the procurement price for cherries was set at 40 zlotys per kilogram.

And so cherries never reached the processing plants, for they cost 100 zlotys and more on the market.

[Question] Is it the farmer who demands more based on production costs or is it the dealers who are running up the prices?

[Answer] Of course, most of the harm is done by the dealers. But production in the village costs more and more. Take, for example, currants. The planters had to pay the pickers very dearly. Mechanization for picking currants is still in its infancy.

[Question] We know that there will not be enough canned fruits and jams from this year's crops. How about vegetables?

[Answer] This is really a year for vegetables, and crops are very good. We have finished processing peas and string beans. The situation in pickling cucumbers is much better than a year ago. The weather conditions--warm nights and precipitation, helped and we have already exceeded our planned tasks: for 18,000 tons planned, we processed 216 tons above that, and the campaign continues. As for tomatoes, we have thus far processed 50,000 tons, which is about one-third of what was planned. Rains and cold weather have slowed down deliveries. Although at the beginning of the season, the daily procurement was over 4,000 tons, now it is not quite 2,000 tons. We do not expect to fill the planned requirements for processing, particularly since the market is tremendously absorptive. What is happening to our cost is even worse: the dealers are buying out tomatoes en masse right at our growing points.

[Question] On the one hand you say that there are not enough tomatoes, but on the other hand until recently there was waste at the procurement centers. Processing plants in the Sandomierz region, in Dwikozy, among others, took a holiday on the free Saturdays, while the tomatoes rotted.

[Answer] I have not heard of any waste and I know that all of our plants operate on free Saturdays and on Sundays. No one has days off during the season, that is an

occupational requirement. We have no problems in processing tomatoes, because at this time the deliveries are far below the industry's production capability. In the large processing plants we now have to stop the larger lines, for there is nothing to be processed. That is how it is, e.g., in Milejow and Lowicz.

[Question] Which means that there will not be as much tomato concentrate as is needed....We hear more and more about the "disaster" in cabbage.

[Answer] The association is processing small amounts of cabbage, principally for meat-vegetable canned goods. The lack of meat has automatically reduced planting. And in certain regions, e.g., around Lipno in the Wloclawek voivodship, and in the Rzeszow area, we will have problems in handling the late varieties of cabbage which are being grown under contractual arrangements.

[Question] What, then, can the consumer expect this year? How many plants does the association have and what is the processing capacity of your industry?

[Answer] We supply the market with about a thousand different kinds of products, based on what grows in the fields and in the orchards. This year we delivered more canned string beans, for a total of 16,000 tons. This should fully meet the need, just as should the supplies of peas. But we observe that our products are being bought out en masse. This situation is reflected in our shop, "Fructopol", on Nowy Swiat street in Warsaw. As soon as something reaches the shelves, it disappears immediately. If someone is buying peas, then he immediately buys the entire packet and in no way can sales continuity be maintained.

But the situation with tomato processing will be much better. From this year's harvest we want to deliver about 13,000 tons of concentrate. For comparison, during the entire year last year, there were only 7,000 tons of tomatoes in all. Normally, such an amount of concentrate fully covered the demand. Now, during the first 6 months, the market received about 13,000 tons of imported concentrate and in actuality it could not be seen in the stores. Tomato juice is being made in all the processing plants at full steam. But there will be less stewed tomatoes, and furthermore, in view of the cost of the raw material and the sugar, it will be much more expensive. We will deliver about 70,000 tons of jam.

I recall that at one time even half that amount was sufficient for a whole year. But as long as a jar of jam costs 6.80 zlotys, and the price has not changed for 20 years, jam will not always be available in the stores.

[Question] A great deal is said about priorities for the food industry. For you this principally means sufficient allotments of sugar, vinegar and containers.

[Answer] We need 65,000 tons of sugar for three quarters. The allotments provided for 20,000 tons less, but are being implemented. In order to save sugar, we have reduced the production of wines, but at the same time we have expanded the production of low-sweetened jams and marmalades.

For the time being we have enough sugar, and vinegar and seasonings also. Nor do we have any big problems with glass containers. Unfortunately, there was a very

threatening situation insofar as cans were concerned. And if we had not had funds of our own to import the ingredients for lacquer, the production of peas and string beans would have come to a halt. In general, however, the problem of containers must somehow be solved. We cannot begin production of cans at the same time that the peas campaign is drawing to a close.

Employment is another matter. The association has 69 plants. And I would like to stress the attitude of our work force. The people work without a break for hours, on free Saturdays and on Sundays, despite the fact that the fruit-vegetable industry is one of the most poorly paid. The recent period, due to the accumulation of deliveries of beans, cucumbers and tomatoes, was particularly hard. Everyone, office workers, warehouse workers, and others, who do not normally work at production, worked at the vegetables.

None of the vegetables that we contracted for and received were wasted, and I am sure that it will be like that for the rest of the season.

[Question] When will your products reach the stores in larger amounts?

[Answer] Already in the next few weeks. But we must also think about stocks for the winter. We cannot eat up everything now. And that is why deliveries must be made strictly in accordance with the agreements with the trade.

Potato Products

Warsaw DZIENNIK LUDOWY in Polish 25-27 Sep 81 pp 1, 5

[Interview with Dr Jozef Gladkowski, manager of the Association of the Potato Industry, by Andrzej Piszczota; date and place not specified]

[Text] [Question] Dr Gladkowski: Poland ranks second in world production of potatoes. In an average year, we harvest close to 50 million tons. Yet for years there has been a shortage of potato flour, starch and recently also other derivative products, including spirit. What is the explanation for this? Can this be possible?

[Answer] It is true that we produce about 40 million tons of potatoes, but last year's disastrous harvest produced only half that amount. The producers use most of the yield for fodder purposes. Practically speaking, the commodity potato in our country constitutes 10 to 12 percent of the yield. That includes the seed potatoes and the edible and industrial potatoes, whose combined mass fluctuates between 4 to 6 million tons. The plants which belong to our association process the potatoes into starch and dried consumption products. During the fall campaign we process about 70,000 tons into the latter, and about 1 million tons into starch.

[Question] Processing for consumption purposes is still in its infancy, despite the fact that the potato is the mainstay of our diet. In western countries, most of the potatoes reach the table in a processed form. Could we not fill some of the empty shelves in our stores in this way?

[Answer] In general, the production of food from a potato is based on dehydrating it, or freezing it in the form of fried potatoes. Unfortunately, this type of

production is energy-intensive, requires extensive warehouse space and involves transport. We are producing dried products, which we supply to refrigeration plants, who in turn make them into various kinds of dumplings and other products. We are actually a supply industry. It may be said that our production capacity during the next 3 years will fully cover the requirements of the refrigeration plants and the food concentrate industry.

[Question] In the current difficult market situation, can't these supplies be increased? Because of the lack of meat and dairy products, and problems with grain products such as noodles or rolled oats, people are buying more of these dumplings. Unfortunately, they are not always available in the shops.

[Answer] This year we began the campaign already in the middle of August. All departments producing these products are working. Very shortly, the refrigeration plants will receive flakes, grits and the potato granules, and also the meal, which are the ingredients of the frozen products. In September, products from this year's potatoes should already be on the shop shelves.

[Question] And the production of starch, which is the raw material for about a thousand ultimate recipients, from the pharmaceutical, food and paper industries all the way to oil mining and the coal industry?

[Answer] Our production capability in this field is now able to cover only 60 percent of domestic requirements, excluding so much as a single ton for export. But because we are a traditional supplier for many world markets, even if we reduce our commitments to a minimum, we still need about 20,000 tons of potato flour to maintain ourselves on the dollar markets. Thus we see the necessity for an immediate expansion of starch production. At the moment we envisage a stage of modernization, particularly in the regions of the raw-materials sources, i.e., Lomza. Making use of the raw materials in Ostroleka, Bialystok, Lomza and Ciechanow, we intend to expand the plant in Ilaw, on the border of these voivodships. Using the raw-materials resources in the Plock region, we want to expand the production capacity in Glowno, near Lodz and in Staw in the Konin voivodship, because we have a surplus of raw materials there.

The next stage should be construction of a new plant in the southeastern region of Poland, because our industry hauls half of the potatoes from that side of the Wisla [River] to processing plants located on the western side.

[Question] I am afraid that under the present circumstances we cannot expect such an investment to be approved for a long time. Every ministry, every branch and region, presents iron-clad arguments why they should have these investment millions, which, unfortunately, our country cannot provide. For many years, the Poznan voivodship has been fighting for meat plants which were initially located in Oborniki. The argument here is the slaughter animals, a good part of which are hauled to slaughter houses in Wroclaw, Legnica and other distant places. The sugar industry is demanding, not without justification, a new factory in the western part of the country. The city of Poznan is fighting for a dairy, because the queues in front of the shops are getting longer and longer. I don't want to negate your arguments, but in this context I see no great prospects for you. If the construction of a

new potato processing plant in the eastern part of the country is disapproved, then what can you propose to make the work more efficient? For certainly hauling raw materials in today's energy crisis makes no sense at all.

[Answer] I realize that the present situation eliminates this matter for the next three years. We have revised our program by precisely that period of time. I am thinking of the future, for the preparation of an optimal design solution and completion of machinery for such a plant requires these several years. Insofar as selection of the particular site is concerned, however, then the present variant, in which we have chosen the Siedlce voivodship, has not been approved by the Planning Commission.

We are also considering the Biala Podlaska voivodship and others. All of this requires further preparation and studies. However, we must realize that there is no other solution if we are to process at least 2 million tons of potatoes, which we must have in order to provide starch products for factories and for the market.

[Question] How is the industry accomplishing its present tasks? How are the current plans being fulfilled?

[Answer] Our current staff effort is directed toward steady production, processing the daily requirements of products, by each of the now-operating plants. We can do this if electric power is not cut off and coal deliveries are not disrupted, which our highest authorities assure us will not happen. At this time we have enough coal for a month's production. We are attempting to get more.

We have decided to procure potatoes in all 30 voivodships in which we have own sources of raw materials and to advance processing as much as possible. We envisage that we will buy about 1.3 million tons. During the fall campaign, we want to process over a million tons.

But because we lack the processing capacity, we should bury about 300,000 tons in pits for the winter. Of course, we have to pay the planters an additional 100 zlotys per quintal for storage. In March we want to start up the spring campaign.

[Question] This is a way of meeting the demand? An attempt to overcome the obstacles reducing the level of production?

[Answer] Exactly. It is our aim to have all of our plants go into operation on the 15th of August in the next few years. We want to provide the planters with deliveries of suitable seed potatoes in the fall. For every quintal, they will give us back next year 1.5 quintals of potatoes of the appropriate varieties, which in the middle of August will be ready for processing. This is extremely important, both from the standpoint of being able to start up additional production and from the standpoint of economic results, because the campaigns conducted during the winter were a total waste of raw materials. There were cases where for one ton of starch, over 20 tons of potatoes were used. Where normally 6 tons are used, with the earlier varieties, which contain less starch, 7 to 10 tons are needed. It is to the interest of the farmer and the national economy to use raw materials more effectively.

[Question] Does the industry have the materials of the quality it needs? As far as I know, there is a general shortage of high-starch varieties, particularly the early ones.

[Answer] Until 1968 the potato industry produced seed potatoes for its own needs. These potatoes contained over 16.5 percent starch. Now we are processing potatoes that contain 14.5 percent starch. We rely on several general-purpose varieties, such as Lenino and Uran. We have now obtained the right to reproduce seed potatoes. In the next few years we want to recover the position we lost, to restore starch to at least 15 to 16 percent.

[Question] You mentioned export. The country is tremendously hungry for foreign exchange currency. I believe that potato products could be a very strong point in obtaining this currency. But we have nothing to sell.

[Answer] This year the state made a great effort and imported 70,000 tons of potato flour, mainly for the needs of the pharmaceutical industry where it is used in the production of medicines. Unfortunately, we will be able to allot only 15,000 tons for export this year.

At one time we traded in potato flour with 27 countries. We sold 80,000 tons a year. Now we have restricted ourselves to 5 or 6 of the traditional sales markets, which we do not want to give up, despite the fact that we are not fully covering the requirements of domestic industry.

[Question] I understand that this export is not too profitable. Perhaps, then, we should give it up.

[Answer] Why? If the Dutch, who trade in starch products with the whole world, find it profitable?! I think that we, too, should not back out of this. The French producers and the FRG also finds it to be profitable. Starch products are a profitable trade object, even though in our case they do not achieve the required indicators. But this is a matter of how you calculate. We are a force in the cultivation of the potato. We should take advantage of this on the world market.

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CAPACITY OF POLISH AIRLINES REPORTED

Actual Status of Polish Airline

Warsaw **TECHNIKA LOTNICZA I ASTRONAUTYCZNA** in Polish No 6, Jun 81 pp 6, 7

[Article by Dr Jan Lason: "Air Transportation of Polish People's Republic Against the Background of the Modern World"]

[Excerpt]

Actual Status of the Enterprise Polish Airlines LOT

Currently the Polish Airlines LOT [PLL LOT] maintain connections with about 50 foreign aerial ports (CEMA countries about 100) and receive on their airports over 20 foreign carriers, not counting charters and unscheduled flights. The air routes of PLL LOT extend for over 90 thousand kilometers. In 1979, the average distance of travel by our aircraft was: per one ton cargo—1,706 km (CEMA average 3,401 km), per passenger—1,401 (CEMA 2,407). The value of transportation and associated services to air transportation in 1979 amounted to 6.9 billion zloty.

Generally speaking PLL LOT have four kind of aircraft: two jet types—destined for medium or long range flights and two turboprop types—used mainly for domestic routes. In 1980 we had 45 civilian air transports: 8—IL-62 (including two IL-62M), 11—Tu-134 (including six Tu-134A), 17—An-24 and 9—IL-18. Altogether these aircraft could accommodate a little over 3,800 passengers at one time. Average age of PLL LOT aircraft is considerable, about 60 percent are over 10 years old. Thus, because of their mechanical status the oldest types and those which are overused will have to be withdrawn from service in the near future, these aircraft are principally An-24's and IL-18's which form the largest segment of our fleet. For the withdrawal from service of these oldest and uneconomical aircraft also speaks their unproductivity, low degree of passenger services and comfort status and the increasing costs, per passenger, or per unit of freight. To the newer types of PLL LOT aircraft belong the jets: Tu-134 and IL-62M. The latter has an improved comfort level of the passenger compartment and consumes less fuel per one flight hour, as compared to IL-62, mainly because of utilization of more efficient engines. In domestic flights the An-24 and IL-18 aircraft do not provide an actual degree of passenger comfort, on the long distance lines the IL-62 and IL-62M cannot compete with Western carriers who use modern, wide-body aircraft with more cargo space, with a higher state of the art and which are more economical.

From the foregoing it becomes apparent that there's an urgent need for the rotation of the PLL LOT flying inventory in order to obtain new, economical transport aircraft. For intercontinental service we need far better aircraft than the heretofore used IL-62M, something in the class of DC-10 or B747D. On the intermediate range lines the most economical aircraft appear to be the so-called airbuses, for example A-310 or IL-86. We also lack aircraft for freight transport, like the IL-76, which are capable of large, single cargo movement (up to 40 tons) to include perishable food articles--because of special refrigeration facilities. We also do not have a capability of flexible manipulation of aircraft inventory which could be adapted to situational changes in domestic or foreign air transportation situations. From the statement made by M. Sierakowski, it appears that during 1981-1985 PLL LOT will receive four IL-86's (of which two will be delivered in 1981), with the proviso that their actual utilization will not begin until 1982-1983. Also planned is the introduction of YAK-42 aircraft and other types in connection with foreign firms. In the sharp competition with foreign air carriers PLL LOT is facing even more difficult times, mainly in connection with a well founded, economical use of the more expensive, larger capacity transport aircraft which are currently being introduced. These are very difficult tasks, though necessary ones for the development of our country which, from among 180 countries in the world is not a separate island but is in competition with them in the achievements of civilization among which is also air transportation.

Plans For Development of Polish Airlines

Warsaw TECHNIKA LOTNICZA I ASTRONAUTYCZNA in Polish No 7, Jul 81 pp 8, 10

[Article by Dr Jan Lason: "Air Transportation of the Polish People's Republic Against the Background of the Modern Word (II)

[Text]

Development Program of Polish Air Transportation

The Polish air transportation development program which was prepared at the onset of the seventies, by the Committee for National Space Management of the Polish Academy of Sciences, provided among others for 1970-1990 period for deliveries of modern transport aircraft and for construction and expansion of civilian airports. According to a forecast, prepared by this Committee, concerning the development of transportation in Poland until 1990, the domestic air transportation was to increase from 0.9 million passengers in 1972, to 6 million passengers in 1990 (Table 6) [14].

For over thirty years the technical and economic circles speak with one voice for a better and more energetic development of Polish civil aviation, despite consistent efforts by the opponents to cut down these proposals. Many articles appeared, during the sixties, which described the effectiveness and future prospects of this mode of transportation as well as its social and economic advantages. The same also applies to the later years. For example, working teams of the Committee for Science and Technology, at one of their meetings in August 1971, also have indicated a need for development of the transportation net, taking into account those heretofore neglected means such as aviation. At the beginning of the seventies we had a rather optimistic vision for Polish aviation development. The, at that time, Minister of Communications Mieczyslaw Zajfryd, speaking for the publication "PERSPEKTYWY" stated: "No later than during 1981-1985, the entire international transportation

should have been moved from the Okęcie airport to the newly constructed airport near Warsaw, which will be equipped for transcontinental service and for all types of medium and long range aircraft."

TABLE 6. Forecast of transportation development in Poland

Radial transport (1)	(2) Wyszczególnienie przewidywanej możliwości ruchu pasażerskiego		
	(3) 1972 r.	(4) 1990 r.	(5) wzrost
Komunikacja miejska (6)	1000,0	1000,0	200
Wielkopolska komunikacja (7)	1700,0	6000,0	150
Komunikacja krajowa (8)	1000,0	1000,0	100
Komunikacja międzynarodowa (9)	0,0	0,0	100
Komunikacja wodna (10)	0,0	0,0	100

Table 6. Forecast of transportation development in Poland

- | | |
|---|----------------------------|
| 1. Type of transportation | 6. Urban transportation |
| 2. Domestic passenger transport in millions of passengers | 7. Suburban transportation |
| 3. Year 1972 | 8. Railroad transportation |
| 4. Year 1990 (projection) | 9. Air transportation |
| 5. Growth | 10. Water transportation |

Unfortunately these intentions and forecasts remain nothing but words. Bureaucratic machine and dilettantes in the area of aviation planning and development for the country caused that the most justified resolutions and forecasts and worthwhile postulates of economists remained principally paper declarations. Stemming from this, lately, one can observe a regression of air transportation in Poland, as it pertains to the degree of its development and comparability to world-wide programs. Independently of this generalized policy of the state, as it was justifiably stated by B. Rzeczyński [15]: "The Ministry of Communications owes us an answer as to why was the plan of aviation infrastructure and transportation system development not realized by 1980." It is difficult to understand from where do we get such a scornful relationship towards air transportation in general and the domestic airlines in particular which--according to the experts--experience a 20 percent yearly increase in demand. Meanwhile, as it becomes even more apparent from the heretofore submitted solutions, neither the airport net, or airport facilities nor the number of aircraft or their quality are undergoing any beneficial changes as compared to the world-wide aviation development. As it was already stated, the decisions concerning Polish air transportation must be undertaken with an appropriate lead time since they will decide if PLL LOT will be able to withstand competition, make up for the neglect, create conditions for further development and will come nearer to the world average in air carrier statistics.

Taking into account the critical situation in our civil aviation, on 28 November 1978, the then Political Bureau of the Central Committee PZPR examined information pertaining to the status of our civil aviation and the prospects for its development. Among many projects deserving particular attention is a recommendation to build a new, international aerial port in the vicinity of Warsaw, to expand the technical-exploative rear base (support facilities) of civilian airports and to purchase airbuses IL-86 and domestic commuter aircraft An-28. It has also been

determined that the PLL LOT transportation capability on foreign routes should be doubled by 1985. From the available information data it appears that PLL LOT will be introducing exclusively jet aircraft which insure greater passenger comfort and a more economical fuel consumption.

All this should be considered as being rather half-measures when compared to the dynamic development of air transportation in the contemporary world. Towards the end of the seventies and into the eighties there still was no comprehensive prepared program for the future development of Polish air transportation. Thus, fast and rational decisions are needed which would aim at making up the lost time and speed up the development of this mode of transportation services. On the eve of the 5-year plan, with respect to years 1981-1983, the investment amounts are not known, there is a lack of final confirmation for all decisions pertaining to the aerial inventory view concerning the problem of integration of institutions and services supporting air transportation. These and other unknowns make it presently very difficult to describe precisely the actual needs in the area of Polish air transportation infrastructure, crew training for the new types of aircraft, planning for modern airport facilities, etc. An extended period of such data uncertainty will result in us cutting through the limb on which we are "sitting."

Conclusions and Suggestions

--Even in view of the difficult economic situation of the country one cannot any longer treat the Polish air transportation like a stepchild, this will lead to even more serious social and economic consequences. Our national ambitions should be able to liberate simple and complex reserves in this area and become a great creative force aimed at the progress of civilization in which the time factor is regarded as the deciding factor in the development of societies. In this development, principally in the race with time and space, Poland is not a separate island; we enter in ever increasing measure those foreign markets which are concurrently in competition among themselves. This competition and the development of the international division of labor, together with individual affluence, will force those particular countries, Poland among them, to a widening and intensification of air transportation in order to be able to stand up to the competition at home and abroad. Therefore, we must aim not only at achievement of world norm in aerial transportation but to project our thoughts into the future in order to be able to equal the rapid development of modern world's civilization.

During the eighties--regardless whether someone likes it or not--in the area of air transportation, Poland should place herself in, at the least, the third ten-percentile (currently we are in the fifth) on the world scale. For this we need not only desires and declarations but a change in the heretofore practiced system of investment outlays expenditures, in order to increase them in the area of air transportation share with a corresponding reduction and limitation of expenditures on: production of raw steel, ineffectual and unnecessary administrative investments (in this chiefly for intermediate, useless (administration) branches, duplication of fur, bureaucracy, etc), excessive propaganda, etc [16]. From a survey of aviation materials it becomes apparent that investment outlays for socialized transportation (and communications) are much lower in our country in comparison with other sectors of economy and also in reference to other progressive countries. The indicators point to an increase by 15 percent in those investments, on a yearly scale, mainly for air transportation. During 1976-1978, they amounted to 9.4 per-

cent, during 1971-1975 it was considerably more, i.e. 11.6 percent. Pointing in favor of this action is our 10th place in global material production, a leading place in the exploitation and mining of geological raw-materials, our relatively highly developed industry, a large share in international exchange and many other indicators. But we should no longer camouflage the negative aspects of Polish air transportation, it is necessary to publish in *ROCZNIK STATYSTYCZNY* of the Central Statistical Office (GUS) and in other publications the true actual data to include investment outlays for this mode of productive services.

—It becomes apparent, from the discussion, that despite the fuel crisis and the very high cost of civilian aircraft purchase and utilization, also of construction and modernization of airports, air transportation is continuously undergoing dynamic development and that the prospects for this mode of transportation are rather optimistic. This is chiefly due to technological and scientific progress which goes on in aviation and in the benefits reaped from air transportation which is becoming increasingly less costly and more accessible. Air transportation either saves or brings into the treasury considerable foreign exchange and exerts influence on the growth of national income, it also stimulates international exchange of goods and secures necessary production services for the country, it also is a stimulant for tourist movement. Because of the foregoing the need for air transportation, even in Poland, is and will be increasing at a considerably faster rate than for the substitutes of other transportation forms.

The need for the services of air transportation will keep on increasing dynamically because domestic and foreign tourism are on the increase as well as the numbers of people who desire faster and more comfortable travel and a more effective utilization of their leisure time, away from their professional chores. Another real reason is a more effective utilization of the nominal work time whose societal value keeps on increasing. For example: while the societal value of one hour of a statistical clerks work was, in Poland, 26 zloty in 1970, in 1985 it will be over 92 zloty. There is also a great need for air freight transportation, presently PLL LOT participate in only one half of air freight transit of our goods. Our goods are often brought up by different transportation modes to foreign aerial ports and from there are sent on by air freight over the ocean, it seems that every Pole would wish that we could move as many goods as possible, not by transit but directly from Polish airports and on Polish aircraft. Unfortunately in order to accomplish this we need modern and economic aircraft and corresponding airports and we do not have either. This makes for high costs in foreign exchange, which does not flow into the country as would be the case if we had our own aircraft and airports at our disposal.

—From the actual status of the PLL LOT enterprise it seems that things are not at their best in our aircraft inventory. From among the carriers belonging to IATA the PLL LOT flying inventory constitutes 0.1 percent (at the beginning of the seventies it was 0.5 percent). Polish transport fleet is too small and too old, for example 60 percent of the transport aircraft are over 10 years old and are in need of being recalled, in particular the older type machines such as An-24 and the IL-18. Aircraft employed on short and medium routes are uneconomical and the passenger comfort is disheartening. On the long routes even the IL-62M aircraft cannot stand up to the competition with the Western carriers who use the more economical wide-bodied aircraft which, additionally, are aircraft of a higher state of the art. We also lack aircraft for specialized freight movement including that of moving perishable goods. Containerization has been introduced far too slowly in our aviation, even

though IATA awards tariff relief for it. We also lack sufficient numbers of transport aircraft which could be rapidly and expediently adapted to varying transportation contingency needs.

A brief survey shows that the problem of qualitative and quantitative status of PLL LOT aircraft is so immense that a solution cannot be postponed, this problem threatens serious socio-economic consequences for Poland and may result in us becoming a backward country with respect to the civilized nations of the world. The present plans for augmenting the PLL LOT inventory with some transport aircraft like IL-86, An-28 and YAK-42 could be a good, though insufficient and not the best indicator and a green light for Polish air transportation and help it achieve its rightful place in the world and in the national economy structure.

--Polish air transportation makes a poor showing on the world scene and because of that even in some scientific publications it is either omitted or listed in the "others" column. As a result of insufficient investments in this area Poland has noticeably worse indicators (except for the 1971-1975 period) on the world scale and among the CEMA countries. In recent times many countries which are poorer and have smaller populations and area than us have surpassed Poland in their dynamic development of air transportation. In 1978, Poland participated in the regular, worldwide air transportation as follows: passenger transport (passengers per kilometer)--0.26 percent, freight movement (tons per kilometer)--0.11 percent. Also unprofitable for Poland are the statistics pertaining to freight movement in ton/kilometers per one statistical inhabitant of the country: Switzerland--68.4, Netherlands--58.6, Belgium--38.9, Sweden--24.5, Romania--6.7, Greece--6.4, Bulgaria--3.9, GDR--3.8 and in Poland--0.9. The picture in passenger transportation, expressed in passenger/kilometers per 1,000 square kilometers of nation's surface is as follows: Netherlands--302, Switzerland--280, Belgium--150, Portugal--36, Greece--35, Bulgaria--19, GDR--17, Yugoslavia--11, Romania--9 and in Poland--8. Any comment becomes superfluous and constructive conclusions should be self-evident.

--It is high time to think seriously about the future of our aerial ports, mainly Warsaw-Okęcie and Gdansk-Rebiechów. It appears that we do not appreciate our geographical location, that is to say the prospects offered by air communications lines. "Some power" prefer to spend money on cosmic research and space travel rather than on earthly matters i.e. construction and modernization of civil airports which are indispensable for social and economic needs. However, the construction of these, expensive as they are, airports with an annual transit capability of 4-7 million passengers, and about one million tons of freight, appears to be the key matter which will decide on the further development of Polish air transportation. It is no longer realistic to deter further the development of an airport base because of lack of funds or the critical economic situation of the country. There are smaller and poorer countries (for example Denmark or Bulgaria) who are constructing new airports and are dynamically developing their air transportation.

With regard to the difficult national [economic] situation we could sublet the construction of a new airport, near Warsaw, to a foreign aviation firm or--as it was done with the Shermentovo-2 aerial port--let a Western firm have an "exclusive" contract to build such an airport. This would considerably shorten the time, from 5 to 2.5 years, when the airport would be completed. Another possible: because of the critical national situation it could be possible to issue national debenture bonds earmarked for the immediate start of work connected with construction and moderniza-

tion of aerial ports in our country. It would also be a possibility to create a public fund, just like the one proposed by the shipyards workers' for the rapid exploitation of natural gas and petroleum oil in the Koszalin region, or even to have the government set aside a sum of money to the account of Ministry of Communications, and they would pay off that sum from air transportation income. Still another way would be by limiting unnecessary, material intensive expenditures (like Huta Katowice steel mill) in order to free investment outlays. Once the need for the development of air transportation is understood then the means for the construction and modernization of airports can be located.

It is difficult to answer the question, at the present time, if we are indeed looking at a prospect of dynamic and realistic development of air transportation in Poland. Few newly acquired planes would increase the flying inventory of PLL LOT, however, with the current, unsatisfactory condition of civilian airports we will not be able to unfurl our wings the way we would like to do it now. Construction of a modern airport is costly and time intensive. For instance a decision regarding such construction must have about five years lead time, the actual realization of the enterprise may take several, or even a dozen years. Until the end of 1980 there was no comprehensive, long range program for the developmental dynamics of Polish air transportation. This is having a negative influence on work organization and on a detailed preparation of the internal organization of the particular enterprises and institutions pertinent to this mode of transportation. There are no prospects for economical deliveries of planes with intercontinental range. Also it has not been determined if we will use intercontinental aircraft for freight or general transportation. Up to the present time there are no decisions pertaining to future optimized structure of Polish air transportation or for its comprehensive infrastructural development with a view to the future. Therefore, we need speedy and thoroughly thought out decisions which would aim at a rationalization of our activity.

9511

CSO: 2600/32

ROMANIAN REPRESENTATIVE CALLS FOR GREATER CEMA COOPERATION

Bucharest ERA SOCIALISTA in Romanian No 15, 5 Aug 81 pp 1-4

[Article by Nicolae Constantin, deputy prime minister of the government, permanent representative of the Socialist Republic of Romania in CEMA: "Romania's Active Participation in Development and Improvement of CEMA Collaboration"]

[Text] A decade ago the 25th Session of CEMA, held in Bucharest, unanimously approved the General Program for Intensification and Further Improvement of Collaboration and Development of the Socialist Economic Integration of the CEMA Member Nations.

Initiated by decision of the 28th (Special) Session of the Council, which was attended by the heads of the communist and labor parties in the socialist CEMA countries, the General Program was drafted by the collective efforts of those countries in more than 2 years of intensive work.

In its content the program applies the experience acquired in the two previous decades in the field of expanded reciprocal economic collaboration, and it also sets the guidelines for intensification and further improvement of this collaboration for a new period of 15-20 years.

As a founding member of CEMA, Romania played an active part in drafting this basic document for the council's activity and greeted its approval as a high point in the history of the manifold relations among the member nations. As the decision ratified immediately after the 25th Session of CEMA pointed out, "The RCP Central Committee, the State Council and the Council of Ministers attach particular importance to the General Program, the provisions of which are intended to expand cooperative relations in CEMA in order to enhance the economic potential of every participating country, to accelerate the growth of the productive forces in all the member states, and to relate and gradually equalize their levels of economic development for the greater unity of the socialist countries."

I. As a document basic to development of all-around economic collaboration among the CEMA countries and to improvement of the council's activity, the General Program is important because it crystallizes the essential principles, standards and objectives of collaboration, determines the areas, methods and specific forms of collaboration, and establishes a whole series of priority programs for cooperation in production, science and technology to be implemented by the member countries in a first stage of this program.

Accordingly the CEMA countries, in pursuance of the provisions of the organization's charter, agreed to base the whole structure of their all-around economic and technical-scientific collaboration upon the principles of socialist internationalism, observance of state sovereignty and national independence and interests, noninterference in the nations' internal affairs, full equality of rights, mutual benefit and friendly mutual aid. On the basis of these principles it was determined that collaboration among the member nations is to be based upon free consent, that it will not be accompanied by formation of supernational organs, and that it will not interfere with matters of internal planning, financial activity or economic administration of national organizations.

As specific objectives of mutual collaboration, the General Program attaches first importance to meeting the growing long-range requirements of the member nations' economies for fuels, energy, raw materials, equipment, modern technologies, agricultural food products and industrial consumer goods, especially through joint construction of large production capacities.

Special emphasis is placed on expansion of mutually beneficial specialization and cooperation in production and on further involvement of the industrially underdeveloped countries in that activity, especially in the peak sectors and subsectors of modern technology.

The main objectives of collaboration entered in the General Program also include expanded cooperation in scientific-technical research, joint treatment of highly urgent problems in that field, intensified exchanges of technical-scientific advances, faster expansion of reciprocal trade and its greater effectiveness.

Approximation and gradual equalization of all CEMA countries' levels of economic development are described in the General Program as vitally urgent objectives of the member countries and their mutual collaboration that are to be taken into consideration in all areas and forms of that collaboration.

In the 10 years since the General Program was approved, the CEMA countries have achieved important results in implementing its provisions and especially in concluding and implementing a large number of accords and agreements for specialization and cooperation in production, in joint construction of a number of important economic capacities, and in solving problems of scientific-technical collaboration. As it was noted at the recent meeting of the CEMA Session, expanded and intensified mutual collaboration increased the exchanges of goods among the CEMA countries by 3.3 times in 1971-1980, and the total volume of these exchanges reached 121 billion rubles in 1980. Among these exchanges the volume of reciprocal exports of specialized machine building products increased from 1.3 billion rubles in 1971 to 9.1 billion rubles in 1980 and their share in the total deliveries of machinery and equipment among the CEMA countries reached 34 percent.

II. Effective implementation of the principles and aims specified in the General Program has been and still is of particular importance to socialist Romania in its all-out effort toward overall development and modernization of its national economy on the basis of the latest advances of human knowledge and toward transition from the stage of a developing country to that of a medium developed country as a strategic aim specified in the RCP Program. For these considerations and in full accord with its main position, Romania has made consistent efforts to carry out the provisions of

the General Program and of the special programs for long-term collaboration, which were drafted in the specification and development of the document approve a decade ago.

Romania's interest, initiative and resolve in this direction are definitely reflected by its participation in the implementation of more than 200 multilateral agreements concluded by the CEMA countries concerned for international cooperation and specialization in production, and especially in machine building and the chemical industry; joint construction of large production capacities in the pulp, asbestos and ferrous alloys industries and exploitation of a deposit of natural gases in the USSR, as well as construction of a nickel and cobalt plant in Cuba, Romania to receive in exchange the agreed quantities of the outputs of those units; collaboration with partners in the other CEMA countries on the basis of more than 100 agreements for collaboration on particular research and development problems and in laboratories, collectives and international institutes for scientific studies; and the formation by the CEMA countries of many specialized international economic organizations and unions wherein Romania is active on behalf of an efficient and active cooperation in various fields.

And finally, participation in all these multilateral programs as well as the constant expansion of Romania's bilateral economic and scientific-technical relations with the other CEMA countries are reflected by the volume of reciprocal trade exchanges, which increased by 3.5 times in 1971-1980 at an average annual growth rate of 13.3 percent.

Successfully implementing the decisions of the 11th RCP Congress, Romania has logged great progress in its socioeconomic development. In 1971-1980, its social product increased by 2.3 times, its national income by 2.4 times, its net industrial output by 3 times, its agricultural output by 1.6 times, and the total incomes of its population were doubled.

All these achievements, as well as the prospects for Romania's economic development in the current five-year plan and in the period up to 1990 provided by the 12th Party Congress, create extensive opportunities for intensifying cooperation in production and exchanges of goods, primarily with the neighboring socialist countries and with all the CEMA countries. In this connection Nicolae Ceausescu said in his speech at the Second Congress of Workers Councils that the current five-year plan calls for "further expansion of relations with the CEMA countries and intensified specialization and cooperation in production within that framework, for increasing satisfaction of the mutual needs for raw and energy-bearing materials, materials, machines, equipment, etc. I wish to mention that there is still much to be done in CEMA in this respect and that we shall try, jointly with the other states, to improve the effort toward these ends."

For this purpose and in view of the importance of developing economic cooperation in CEMA, the party secretary general renewed his proposal at the beginning of last year to organize a conference of secretaries general of the communist parties in the member countries to discuss the problems of improving collaboration.

III. In evaluating the general results already obtained in implementing the provisions of the General Program and their contribution to the accelerated socioeconomic progress of the member countries, it must also be said that those results are not commensurate with the progress they have made in the last decade in strengthening their industrial, scientific and technical potentials, in expanding and modernising the

production capacities in the main sectors of their national economies, and in assimilating manufacture of products on a high technical level. As it was also said at the Sofia meeting of the CEMA Session, some important objectives specified in the General Program have not been entirely accomplished, nor has full use been made of the possibilities it offers for solving some vital problems upon which implementation of the economic plans now depends, as well as the greater effectiveness of social production and the growth of labor productivity in every one of these countries and acceleration of the process of correlating and equalizing their developmental levels.

That is why the CEMA Session concluded that the aims and objectives of collaboration specified in the General Program are also urgent for the future and requested the CEMA organs to concentrate their entire attention upon more effective collaboration especially in the fields of material production and science and technology.

In this connection, meeting the member countries' growing requirements for fuels, energy, raw materials and materials has been and still is a vital objective of collaboration. There were a number of nonfulfillments in this crucial area in the last decade, which were noted during the proceedings of the recent meeting of the CEMA Session. Concerning Romania, the contribution of collaboration to its requirement for fuels, mineral raw materials and metals has declined from about 47 percent at the time the General Program was approved to only 21 percent at present, necessitating considerable efforts to procure those products from third countries for payment in convertible currency.

So far the results of coordinating the national economic plans for 1981-1985 have not served to solve this problem, since the volume of reciprocal deliveries agreed upon for the current five-year plan is short of the requirements for further development of the Romanian economy. The volume of Romanian imports of coking coal, metallurgical coke, copper and cast iron is less than in 1980, and imports of crude oil and electric power have not yet been agreed upon. This means Romania will have to buy most of its required imports of fuels, raw materials and metals from third countries in this five-year plan, with payments in convertible currency. Of course this situation will inevitably affect the extent of Romania's participation in collaboration with the CEMA countries.

In order to prevent such a development, the Romanian delegation to the recent CEMA Session emphasized continuation of the joint efforts to find viable solutions to this problem and effective implementation of the respective provisions in the General Program and the special program for collaboration in this field and of the decisions previously approved by the CEMA Session.

And so it would be particularly important to expedite the negotiations to settle the specific terms for collaboration in prospecting and exploring for crude oil and the natural gases, in developing the capacities for iron ore and pulp, and in expanding extraction of coals, copper, nickel, phosphorites and other mineral raw materials. And it would also help to emphasize these problems in drafting proposals to supplement the special program for long-term collaboration with new cooperative actions, especially to build production capacities that will more fully meet the member countries' economically substantiated requirements.

As for Romania, it has confirmed its interest in participating, on terms of equality, equity and mutual benefit, in development of additional production capacities in the CEMA countries with resources through deliveries of equipment and materials and

through technical aid, including the necessary manpower, in order to more fully meet its needs for the said products and to considerably reduce its imports of such products for payments in convertible currency.

Collaboration in more complete use of existing production capacities is another important solution to this problem, with favorable effects upon growth rates of the national economies and proportioning of the investments and upon exchanges and cooperation as a whole. Romania for example has the production capacities to process 8-10 million tons more crude oil a year as well as other petrochemical raw materials, delivering in exchange products obtained from those materials or other products, and it made specific proposals for this some time ago. Romania also has capacities for additional outputs in the aluminum and cement industries, if supplied with sufficient quantities of fuels, energy and raw materials by the countries concerned.

A consistent effort to more fully meet the CEMA countries' requirements in the above-mentioned areas would enable those countries to set a graphic example of joint solution of a very far-reaching problem facing a great many countries throughout the world under the conditions of the present worldwide economic and energy crisis.

IV. Intensified specialization and cooperation in production, especially in machine building and other peak industrial sectors such as electronics, electrical engineering and chemistry, is another consideration of great importance to the member nations' accelerated industrial and technical progress and further collaboration.

Although important results have been obtained so far, they cannot be considered commensurate with the progress these countries have made in industry.

As for Romania, its position in the CEMA division of labor or in specialization and cooperation in machine production is not in keeping with Romania's industrial level or the Romanian people's efforts toward industrialization. Consequently the products that consume much energy, metals and materials still predominate in the structure of Romanian exports of machinery and equipment, while products of the electronics and precision machinery industries amount to less than 1 percent of Romanian deliveries of specialized products. Romania's per capita exports of machinery and equipment in reciprocal trade are 5-6 times less than the exports of comparable products by most of the European socialist CEMA countries.

Meanwhile Romania cannot entirely supply, within CEMA, its requirements for a number of investment commodities such as mining and energy equipment, installations for the metallurgical and chemical industries, multipurpose assemblies, machine tools for metal processing by unconventional methods, heavy and special machine tools, industrial robots and manipulators, etc., which it still has to import from third countries for payments in convertible currency.

In general the socialist countries must annually import a considerable volume of machinery and equipment from third countries for convertible currency, although they have real possibilities for joint organization of production and intensified exchanges of complex products on a high technical level. Expanded specialization and cooperation is the main route to solution of this problem and stimulation of their cooperation as a whole. In this area three policies must be pursued with great perseverance: first, preferential treatment of some sectors, subsectors and new or scarce products on a high technical level and of great complexity; second, agreement upon and joint construction of production capacities for the new types of equipment and

installations; and third, the necessary provision for a more pronounced increase in reciprocal deliveries of specialized products. As it was stated in the General Program, in all these cases priority and greater opportunities must be given to the underdeveloped CEMA countries with manpower and technical potentials to enter into these activities more intensively.

As for Romania, it has large and modern capacities for making electric and diesel-electric locomotives, trucks, dump trucks, tractors and products of the electronics and electrotechnical industry that enable it to intensify its exchanges and to expand specialization and cooperation in production with the other CEMA countries. Moreover Romania is interested in cooperating with other CEMA countries in building new capacities on its territory, in peak sectors, by forming mixed companies and promoting other ways of combining the interested countries' efforts.

In order to enhance the contribution of technical-scientific collaboration to the solution of the major problems of economic, scientific and technological progress in the CEMA countries in view of the worldwide explosion of advances in human knowledge, cooperation in this field must be concentrated on such priority problems as development of technologies for rational management and better processing of mineral raw material and energy resources, production of highly productive equipment to reduce inputs of resources and to make better use of them, design of machine systems for complete automation and control of production processes, and assimilation of new materials and products with superior technical-economic characteristics and competitive power on the world market.

One problem which the member countries have agreed to solve in the first years of the General Program but which has not yet been solved is adequate stimulation of production and export of agricultural and food products by means of prices and other economic levers. Preparation and promotion of effective measures and programs for collaboration in this matter would help to improve supply of the CEMA countries' populations with these goods and they would stimulate the growth of trade exchanges and favorably affect these countries' socioeconomic development itself.

For Romania, expanded collaboration and cooperation with the other CEMA countries is also vital from the standpoint of the necessity of a more pronounced increase in its trade exchanges with these countries. Despite the efforts and specific proposals to expand these exchanges that Romania has made over the years, the share of the CEMA countries in Romania's total foreign trade declined from about 50 percent in 1970 to 34 percent in 1980. For this five-year plan, Romanian originally intended to double the volume of its trade exchanges with the other CEMA countries and submitted new proposals for cooperative production and reciprocal deliveries for this purpose. The proceedings to coordinate the plans allowed an increase to be expected of only 38 percent in these exchanges in 1981-1985. Therefore, on the basis of the understandings reached on the level of the party and state administrations, Romania is continuing negotiations with other CEMA countries in order to accelerate the growth of trade exchanges in this five-year plan and is trying to arrange such negotiations with all the socialist countries.

CEMA has a very important part to play in solving the foregoing problems, as well as its representative and operational organs and the other international economic organizations formed by the member nations. They are called upon to concentrate all their efforts on seeking and finding the most effective and efficient solutions and on initiating specific programs for collaboration and cooperation in production that will

meet with the approval and participation of all the interested member nations and will provide terms of equality, equity and mutual benefit for all the partners. By acting in that way the organization for collaboration will really perform its mission and will considerably enhance its contribution to the joint solution of the far-reaching problems of socioeconomic progress facing the member nations at the start of this decade. And by resolute action in the said directions to implement the agreed upon objectives and programs, the CEMA countries will conclusively prove the complete viability of the document approved a decade ago and the effectiveness of their collaboration and of CEMA's activity, thus enhancing the prestige and power of attraction of socialism throughout the world and substantially contributing to the consolidation of detente, peace and cooperation in the whole world.

As for Romania, as Nicolae Ceausescu has pointed out on many occasions it is resolved to make its full contribution in the future as well to collaboration in CEMA so that the work of that organization will set a true example of equitable relations and fruitful cooperation among free and sovereign socialist states and will lend a new impetus to socialist and communist construction.

In emphasizing strengthened friendship and cooperation with the socialist states and with all peoples building the new order, Romania is also militating for stronger relations of solidarity and collaboration with the developing and unaligned countries, promoting, in the spirit of peaceful coexistence, economic and scientific-technical relations with the developed capitalist countries and with all states of the world regardless of social order, and actively participating in the international division of labor and in the worldwide exchanges of material and intellectual values, thus contributing to the construction of a new international economic order and to the creation of a better and more just world.

5186

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DEFICIENCIES IN PREPARATIONS for 1982 INVESTMENT PLAN

Bucharest REVISTA ECONOMICA in Romanian No 41, 9 Oct 81

[Article by I. Mihal]

[Text] Implementation of the investment program requires continual concern with preparing each goal forecast so that the new production capacities are carried out on schedule and under conditions of high efficiency. In this context there is special importance in placing the investments into operation on and even ahead of schedule, investments intended to raise the energy potential and fuel resources, determined by the need for us to develop our own base of raw materials and energy resources.

Appropriate preparation of investment projects in this area requires ensuring the conditions needed for continuity in the normal flow of activity on the jobs being carried out and, at the same time, beginning new jobs planned within the schedules forecast in the timetables approved. Especially since the investments tie up large material and financial resources for the entire duration of the job, whose positive effects are felt only after the jobs have been completed and the new capacities put into operation.

In order to carryout the investment programs it is necessary both to substantiate on the basis of strict analysis the timeliness and efficiency of them as well as to have concern with creating all the material conditions needed to implement them on time. Taking measures which ensure preservation of a balanced working front and permit the building and start into operation of the new investment projects in the shortest possible time--as thus specified in the legal regulations (for jobs in the competence of approval of the enterprises and centrals it is 9 months, 12 months for those in the competence of approval of ministries and 24 months for those approved by presidential decree)--is an important means for increasing the contribution of the new capacities to raising the base of raw materials and the country's energy base as well as the national income.

Valuable Experience--Broadly Extended

Experience until now has confirmed that when the problems in placement, technical-economic documents, building capacity and technological equipment have been solved on time for new investment projects , the investments are carried out within the schedules forecast in the timetables, while the period during which the material and financial resources are tied up in the new investments is minimal. Ensuring the necessary conditions has made it possible in the first 9 months of 1981 to place into operation, within the schedules planned, a large number of production capacities in all

branches of industry, including energy and fuel industries. Among these capacities we should mention the stage III thermoelectric energy sector and No 3 basic steel works, both at the Galati Iron and Steel Combine; the Pesteana-Gorj pit; the opening and start into operation of the Amaradia-Tirila mining field (500,000 tons of lignite per year in the first stage); a capacity of 2,000 tons/year of technological equipment for mining jobs and heavy mining hydraulic equipment at the Filipesti-Prahova mining equipment enterprise and so forth. By their profile these capacities are participating either directly in increasing the extraction of coal and other fuels or in increasing the capacities in the branches of the extraction industry by supplying them with new equipment.

At the same time, it should be shown that a number of large production capacities could not be placed into operation within the schedules forecast, particularly due to failing to ensure the working front which would permit the assembly of the equipment and installations to start on the dates included in the timetables or the failure of the domestic and foreign suppliers to deliver certain technological equipment in conformity with the contractual obligations. This is the case of the capacities intended to extend the Borzesti electric power thermification central, the Slatina hydroelectric power central on the Olt River, the Moldova Noua mining operation and other capacities forecast to be placed into operation this year or, for some of them, behind from 1980. Due to the failure of the supplying plants in the Ministry of Machine Construction Industry to deliver equipment on schedule in most cases, or the existence of defects found during technological testing, they could not be placed into operation on time, its being necessary to reprogram the initial timetables.

Of course, the nature of the preparatory jobs for each project separately varies depending on the stage of building and each one's particular features. The preparation for a normal flow of activity also raises other problems for the investment projects being built, for which a 1982 start into operation is forecast, problems such as the following:

Having the builders provide the working front, which would permit the assembly to begin within the schedules forecast in the timetables and, correlated with this, providing base personnel for operation, personnel who, along with the assemblers, would participate directly in assembling the main technological equipment and installations;

Creating the conditions needed to do the breaking in hot and cold, as well as the tests for placing the new capacities into operation on schedule and within the periods forecast in the timetables;

Having the holders and beneficiaries resolve all the cooperation connected with providing the raw materials, materials and semimanufactured items, electric energy, fuels and other utilities, supply and access networks, as well as other problems which are conditions for operation of the new capacities at the parameters approved within the shortest periods of time from the time they are placed into operation.

A Major Requirement: Speeding Up the Contracting and Delivery of Equipment

Analyzing the stage of preparation of the investments which are to be carried out in 1982, we find that during this September a large volume of jobs was not fully ensured with the technical-economic documents and technological equipment. So, less than half of the number of new investment projects, whose building is forecast to start this year (in order to provide the working front needed next year), had their order notes approved, while the building designs from this viewpoint were in even less

favorable situations. Of the 30 investment projects having the Ministry of Electric Energy as the holder, projects whose building is forecast to start this year, only 19 had their building designs approved at the start of last month. And similar situations exist at other ministries, too.

The situation is not exactly satisfactory with regard to providing the new investment projects with technological equipment, including the equipment and installations produced in Romania by our machine construction industry. At the start of September, only something more than half of the volume of technological equipment produced domestically and allocated for 1982 for the new investment projects were provided with technical-economic documents and only around 30 percent were contracted with the supplying plants.

A large volume of equipment needed for the new projects and forecast to be built next year was not contracted with the production enterprises, while the main domestic producer of technological equipment and installations for investments--the Ministry of Machine Construction Industry--at that date had only provided technical-economic documents for around 60 percent of the volume of equipment and contracts for approximately 80 percent.

In the extraction industry branches, where the investment capital is allocated in particular for creating new production capacities of raw materials and fuels needed to increase Romania's energy potential and for ensuring the conditions which permit a good flow of investment activity, although better than in other sectors, one may not say that it is at the required level. On the job sites of some very important economic projects, where concern continually has been demonstrated with ensuring high rates of building from the builders, beneficiaries and suppliers of equipment, the plan tasks have been fulfilled and in some cases even overfulfilled at the Rosia Jiu and Pesteana lignite pits, the Lupeni pitcoal operations, the Anina bituminous shale operations and the Amaradia-Tiria lignite deposit, the Doicești thermification electric power central, the Strejesti, Aricesti, Susag, Brezoi and other hydroelectric power centrals. On other job sites in the same branches, however, there are lags in the stage of building.

Generally, the reason lies in failing to provide certain equipment within the schedules correlated with the timetables for spreading out the investments. In this regard the case of the Anina electric power thermification central--Group No 1 of 330 MW is graphic, planned to go into operation this December, but which currently is reprogrammed to go into production in 1982. This reprogramming is the result of the failure to deliver 4,100 tons of electrofilters by the specialized enterprises in Bistrita, 1,100 high-pressure pipes by the Vulcan enterprise in Bucharest and so forth. Such situation, however, also are found at other jobs. In other cases, relatively minor problems such as, for example, failure of the supplying enterprise to deliver certain equipment within the schedules planned (electrical filters, automation panels to Turceni, supply pumps and others) contribute to delaying the start of some production capacities into operation, bringing to society large losses by maintaining material and financial assets in tie-ups and, by this, depriving the economy of certain products needed for domestic consumption or intended for export, by failing to include new workers in the production activity within the time forecast.

In the current situation, where the evolution of technical progress in the world is unrolling with such a lively speed, the economic result of which primarily is the substantial rise in labor productivity and, as the reverse, moral usage of the means of production built in previous periods, providing all the material conditions needed

for the planned new investment projects so that they can be built and placed into operation in minimum periods of time is a basic element.

Priorities of Action

Achieving a qualitative leap in the direction of creating the necessary conditions for recovering the lags for projects being built, speeding up the start into operation of production capacities forecast in the investment plan and using them at the technical-economic parameters planned are a basic task for all those working in this important sector of activity.

Taking into account the experience of previous years and the good results obtained on some job sites where, due to the measures ensured on time, the planned capacities were placed into production sometimes even before the time forecast in the timetables and taking into account the efficiency of the best measures adopted and applied within the times established and cooperation among the concerned factors, we see that the following are needed to have total fulfillment of the investment plan tasks forecast for the second year of this five-year plan:

Continuing to keep the most restricted possible working front in investment activity and concentrating priority efforts on the projects in an advanced stage of building, with a view to putting them into operation in as short a period of time as possible;

Speeding up the rate at which the technical-economic documents are worked out and advised on for the investment projects whose building is forecast to start next year and establishing timetables with firm schedules for the designers, beneficiaries, the notification organs and builders regarding turning over the documents and beginning the building, particularly for projects of special importance, such as the centrals on coal, capacities intended to recover materials and utilize new raw materials, utilization of secondary resources and so forth;

Speeding up the closing of contracts with domestic and foreign suppliers for delivery of technological equipment and installations, predominantly for those for which a delay in assembly affects the start of new capacities into operation as provided with production which was caught in the balance for domestic and foreign consumption; speeding up the deliveries of equipment contracted in Romania or imported, which are conditions for placing the capacities planned for 1982 into operation and, correlated with this, analyzing all the possibilities for assimilating as large a volume of technological equipment as possible for investments in Romania and avoiding the importing of equipment as much as possible;

Establishing on time the measures which permit the technological tests to begin on time, doing them within the terms set and creating the conditions needed for the new equipment and installations being placed into operation to operate at full capacity, providing a labor force for the operation and maintenance and qualifying it at the level required by the technological progress, raw materials, materials and equipment, and the sale of production domestically and for export and cooperation with other enterprises and so forth.

All investment factors must understand that only through strict coordination of efforts among the builders, suppliers of equipment and beneficiaries, correlated with providing the needed material-technical base, can the tasks in the investment area in general and those for developing the raw material and energy base in particular be fulfilled, tasks which the second year of the five-year plan is placing before our country's workers for the purpose of continuing to develop the national economy and raise all our people's well being.

INCREASED EFFICIENCY OF AGRICULTURAL INVESTMENT SOUGHT

Bucharest REVISTA ECONOMICA in Romanian No 41, 9 Oct 81 pp 5-6

[Article by Nicolae Savu]

[Text] In the current stage of raising the entire Romanian economy, within which the problem has been posed of carrying out a new revolution in agriculture, the role of investment in the technical modernization of this basic branch of our economy is becoming particularly important. Actually they are the material support for fulfilling the goal of doubling Romania's agricultural production. Intensification of agricultural production, industrialization of labor processes in agriculture, the change of agricultural work into a version of industrial work and obtaining results at the highest world level require achieving a large volume of investments for extending all the fixed assets in agriculture on modern bases. Also, it should be stated that an optimum correlation must exist between the investments intended for the modernization of agriculture and those intended for development of the industry which produces the labor resources for agriculture, so that both categories can be turned to good account with maximum economic results.

World experience shows that the growth rate in general and the volume of investments intended for the technical modernization of agriculture are dependent on the general level of the country's economic development and, in particular, on the level of industrialization, with industry being the branch which supplies the labor resources required by the modern agricultural technology. This also becomes the source for financing a higher volume of investments for agriculture at a certain stage of development of industry, through the accumulations it achieves. This order of priorities in investment policy today is recognized as a law of economic growth, without respect for which a revolutionizing of the production forces of society cannot be carried out in general and in agriculture, in particular.

Regardless of their nature, the investments in agriculture have as their source the state's capital and the capital of the agricultural enterprises. Added to these, but with less importance, are the investments achieved through the population's contribution in work for various projects, such as those setting up flows of water in local interest and those for maintaining the riverbeds (investments which were 3.2 billion lei in the 1976-1980 period). Whereas the main source of investment for agriculture as a whole is the state's capital, in the cooperative sector the main source is the cooperative members' own capital. We feel that in the interest of speeding up the process of intensifying agriculture, under conditions of strengthening economic self-management in this branch, too, we need an increase in the role of investments from the people's own capital, with a view to amplifying interest in the fullest possible utilization of it.

Romania is among the socialist countries in which the investments for agriculture have risen and are continuing to record high growth rates and they represent a large share of total investments. The average annual volume of agricultural investments rose from 1.287 billion in 1951-1955 to 25.24 billion in the 1976-1980 five-year plan, with 155 billion lei to be invested in this five-year plan, the amount proposed and approved at the 2d congress of agriculture. The investments per hectare of agricultural land also have seen a similar growth, reaching nearly 1,800 lei, while the increase in investments per person employed in agriculture has registered a much faster rate of nearly 25 times in 1976-1980 compared with 1951-1955, which proves the rise in degree of technical supply of agricultural work.

Despite this, we feel that efforts must continue to be intensified. Even if we supposed that an equal coefficient exists both in industry as well as in agriculture of the correlation of investments with net production, it would be useful for the more powerful development of agriculture, also taking into account the country's higher potential, for investments to be proportional to its contribution to creating the national income. Particularly because, although agriculture's share in creating the national income has diminished in the last three decades, agriculture still has not reached a similar correlation, despite the fact that during the three decades the gap between industrial and agricultural investments has been reduced more than seven times.

Precisely for that reason, starting in the 1976-1980 period, compared with the 92 billion lei forecast initially, the investments for agriculture were increased to 120 billion lei (of which 14 billion are from the agricultural cooperatives' own capital). On the other hand, starting in 1950, the volume of investments in agriculture rose at a higher rate (42 times) than the national economy as a whole (31 times) and even for industry as a whole (35 times). This policy should be continued and even emphasized because, as I was saying, the amount of investments for agriculture to be able to become proportional in the future to the portion of the national income created. However, we stress that in order to reflect reality in calculating investments for agriculture, also to be taken into consideration should be that portion of the industrial investments whose result is intended for agriculture.

Referring to the method of utilizing other investments, we may proceed from the idea that it is a specific means of correcting the natural conditions in agriculture; a basic feature of a modern agriculture is precisely the uniformization of the production forces, with a view to equalizing production and living conditions for the agricultural producers.

In our agriculture the greatest portion of investments has been directed toward the state sector (the state agricultural enterprises and SPIA [expansion unknown]). The state agricultural enterprises utilize around two-thirds of the investments coming from the state capital, an orientation characteristic of a stage when such a directing of investments sought the rapid increase in production in order to cover the national economic needs. However, investments in the cooperative sector also are proving to be particularly profitable.

Under these conditions an aspect of the modernization of agriculture also is elimination of the gap in technical supply between the state and cooperative sectors, creating similar working and living conditions in both sectors. The united agroindustrial councils established on the basis of the RCP CC Plenum decision of 1 February 1979, intended to create the necessary organizational framework for concentrating and specializing

agricultural production, is an important step toward equalizing production conditions and developing both sectors in proportion to the zone of fertility. Speeding up the growth rate of investments in the cooperative sector also is in agreement with the requirement for setting up investment projects depending on the conditions and possibilities existing in each unit.

Particularly complex is the problem of concentrating and territorially distributing the investments, which must be well substantiated scientifically on the basis of the projects for zoning agricultural production. Equalization of production conditions by differentiating investments means choosing between two main directions of priority: on one hand, for the zones with the most favorable conditions for agricultural production with a view to total and superior utilization of these conditions and, on the other hand, the priority for the zones with harder production conditions, to change these conditions with a view to improving them and increasing agricultural production as a whole.

The counties known as big agricultural producers are enjoying a clear priority; thus, in Dolj, Ilfov, Constanta, Ialomita, Braila, Timis, Arad, Teleorman, Olt and Iasi nearly half of the investments for agriculture in 1976-1978 are concentrated. Yet, we believe that a reorientation of investments also is needed toward the less developed zones, the ones with more difficult conditions, such as Gorj, Alba, Bistrita-Nasaud, Hunedoara, Marghita, with the ratio of investments between these counties and Braila County (for example) being 1:4.5.

On the other hand, if we refer to the coefficient of correlation of investments with the increase in total agricultural production, we see that a greater efficiency in investments may be obtained precisely in the zones with the more difficult production conditions. In the 1976-1978 period this coefficient exceeded 1:4 (taking the country average as a unit) in Alba, Hunedoara, Bistrita-Nasaud, Gorj, Neamt and Suceava counties, while it reached values of only 1.6-.7--thus a ratio of 1:2-1:3--in Braila, Constanta and Tulcea counties.

Making a substantiated evaluation of economic efficiency of investments in agriculture requires taking into consideration the particular features of this branch of material production as well as the particular features of the various subbranches and production goals of agriculture. The basic particular feature is determined by the effect of the land on the efficiency of agricultural investments. In this regard, we need to move the economic results of the new investments away from the ones due to the quality of the land by making an economic evaluation (qualitative) of the land. Another factor affecting the efficiency of investments in agriculture is the complexity of production conditions in all its subbranches. The efficiency of investments, of course, depends on the efficiency of production, but in no case can it be confused or reduced to this.

The characteristics of various production projects in agriculture give a certain specific nature to the way of determining the system of indicators which express the economic efficiency of the investments. Referring to tractors and agricultural machinery, we must take into account their contribution to raising labor productivity and to increasing production but also the fact that they are subject to faster usage, while the decreasing output is also accompanied by rising operating expenses. Investments for water improvement projects directly affect the level of production by recovering new lands and increasing the production capacity of the lands cultivated, but they also mean a certain loss of land (irrigation channels) and, having a prolonged use, they are subject to moral usage. Investments in construction (except for the combines

for the industrial raising of animals) do not contribute directly to increasing production; in exchange, they bring a different degree of performance ability and of improvement in working conditions and they have a long operating period which, however, differs from case to case, they are suited for modernization, have a high residual value and remove land from agricultural circulation. Investments for live labor resources are affected by the long period of time for achieving them, by the production curves for these labor resources and by the direct action of natural factors. Depending on these particular features, a certain indicator for evaluating economic efficiency of investments may have a different ability of expression or it is necessary to use specific indicators.

The economic efficiency of investment refers equally to total as well as new investment. This method of treatment is conditioned by the fact that, from the viewpoint of results and the point at which they are made, all investments are new, regardless of whether or not they are intended only to replace and/or broaden fixed capital and the above thesis is confirmed by the fact that the depreciation itself is changed in time into accumulation.

According to what the sphere contains, we must distinguish many steps in determining the efficiency of investments: total investment (for agriculture as a whole), directional investment (on the main directions of mechanization, land improvement, zootechnics, construction and so forth) and investment on versions of the same capital project. For example, we must bear in mind that general, partial and specific indicators exist for calculating the efficiency of investments.

In the case of total investment, a first evaluation among the general indicators of economic efficiency may be given by the value of supplementary production for each leu of supplementary investment, but of greater economic significance we feel is the net supplementary production and net supplementary income for each leu of new investment (the profitability or coefficient of efficiency of the supplementary investment).

The most important general indicator of the economic efficiency of investments (primarily, total but also those by directions and versions) is the term for recovery. The speed of recovery of the investment, which shows us during a period of use how many times the investment is recovered from the net income obtained, is a direct result of the term of recovery. As partial and supplementary indicators of the efficiency of investments the following may be used: savings of production expenses, improvement in quality of products, easier working conditions, reduction in need for work (growth in live labor productivity) and the prevention and reduction in production losses. Taking into account the continual growth in investments intended for agriculture, the efficiency with which investment capital is used has become a very current problem.

The rise in efficiency of investments requires that agriculture, too, seek to reduce the percentage of construction projects and to distribute an increasingly greater portion of investment capital in the supply with machinery and equipment. Currently agriculture has reached the situation where around two-fifths of the investments are for construction-assembly projects, while investments for machinery and equipment represent more than one-third, with a clear rising trend. Still, measures are needed to select the construction solutions which exclude architectural excesses, tendencies to oversize, useless finishing jobs; also, it is necessary to improve the quality of jobs and industrialize projects by a gradual move to prefabricated building of agro-zootechnical constructions.

From the viewpoint of efficiency, also important is the relationship between investments and fixed capital placed into operation in the socialist sector of agriculture; despite the increase in percentage of placement into operation (from 88 percent in 1966-1970 to 92 percent in 1976-1980), projects valued at around 650 million lei still remain unplaced in operation annually. Clearly, the delays recorded in starting new projects in operation negatively affect the growth of agricultural production.

Referring to these shortcomings, in January 1981, at the working meeting in Brasov, Comrade Nicolae Ceausescu stressed: "Many investment jobs last very long. We have complexes and stables begun years ago, which have not been placed in production. In order to carry out the programs I have proposed, we must provide the appropriate shelter base for the animals. But because some comrades have raised the problem of supplementing certain investments, I wish to draw attention to the fact that for 1981-1982 we have established not to start any new project. Let us finish the irrigation jobs begun, let us perfect the existing systems and ensure their good operation."

In light of these indications by Comrade Nicolae Ceausescu, the elimination of delays in working out documents, in drawing up designs and building new capital projects, in order to put them into use in useful time, is a basic obligation for all cadres in our agriculture and is an important reserve for the rational use of the investments for raising their efficiency.

8071
CSO: 2700/44

YUGOSLAV-GDR COOPERATION REVIEWED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Oct 81 p 3

[Article by V. Karakasevic]

[Text] Long-term cooperation makes up about 50 percent of the total annual volume of trade. The goods lists for 1982 will be published by the end of October.

The basic feature of Yugoslav economic relationships with the GDR is the continuity of growth in both imports and exports. In the period 1971-1975, the total reached 1.7 billion dollars, and leaped to more than 3 billion in the period 1975-1980. This trend has continued in the first year of the 5-year plan that extends to 1985.

Thanks to these results, Yugoslav economic relations with the GDR are third in importance among the socialist countries, following the USSR and Czechoslovakia. One should recall that economic cooperation includes regular trade in goods, long-term industrial collaboration (specialization and cooperation), long-term credit arrangements, joint capital investments, cooperation in light industry and in the textile, shoe and woodworking industries, joint entry into third markets, scientific and technical cooperation, and financing.

The Delivery Dynamics are Unsatisfactory

Yugoslav trade in ship repairs and shipbuilding, construction, prefabrication and transportation services are increasing from year to year.

In the first 8 months of this year, trade was on the increase, although certain delays in implementing contracts were encountered. As a result, in that period exports totaling 429 million dollars were contracted: according to Yugoslav data 235.2 million dollars worth of these contracts were fulfilled, while GDR data show 246 million dollars in deliveries. Contracts for Yugoslav imports totaled 385 million dollars, with Yugoslav data showing 297.8 million dollars of completed transactions. GDR data show 224 million dollars worth of completed shipments to Yugoslavia. The difference in dollar values comes from the GDR practice of recording only the implementation of contracts concluded in a given year in that year's statistics, while Yugoslav records include deliveries based on contracts from previous years.

The GDR has pointed out its dissatisfaction with the dynamics of contract fulfillment (for toolmaking machinery, textile producing machines and agricultural machines), and the members of the GDR section of the Yugoslav Economic Chamber have been informed of this.

In this period the Yugoslav trade deficit amounted to about 62 million dollars, but it is estimated that the difference will be compensated for by export of services, which are of significant magnitude and thanks to which the Yugoslav consumer balance during 1981 has been fluctuating between 10 and 15 million dollars.

Projections Until 1985

Long-term industrial cooperation and transactions (credits and joint investments) will account for about 50 percent of the total volume; they are registering steady increases. Prospects for cooperation are regarded as significant for heavy machine-building, mining equipment, toolmaking machinery, electronics and electronic technology, agricultural equipment, food processing, automobile and chemical industries. Contracts have nearly been completed for many transactions in these fields. The efforts of businessmen of both countries in this direction received full support from the Mixed Committee for Economic, Scientific and Technical Cooperation at its session at the end of 1980.

On the basis of completed transactions in the past 10 years, an agreement has been reached between the GDR and Yugoslavia for trade in the period 1981-1985, to increase exchange by about 50 percent compared to the preceding 5-year period (up until 1980). Considering continuity in the volume of goods and services to be exchanged, the total trade for the 5-year period until 1985 will be as follows:

Structure in 1,000 dollars

Goods	2,538,160	
Services	102,500	
Of which		
A. Scientific and Technical Services and Licenses		7,500
B. Other Services		95,000
TOTAL	2,640,660	

For this year, the first in the 5-year period to 1985, Yugoslav exports are to be 534.19 million dollars, while imports will be 505.5 million.

12131

CSO: 2800/34

DEVELOPMENT OF SOCIALIZED AGRICULTURAL SECTOR SURVEYED

Belgrade GLASNIK POLJOPRIVREDNE PROIZVODNJE, PRIJEDA I PLASHANA in Serbo-Croatian No 9, Sep 81, pp 3-7

[Article by Danilo Tomic, MA]

[Text] Introduction

After the end of the war in 1945, an agrarian reform in Yugoslavia created a land fund of 1,566,000 hectares. About 755,000 hectares of this total were distributed to poor peasants, while 791,000 hectares were transferred to state ownership and represented the basis for state agricultural land holdings. That was actually the origin of the developmental concept for Yugoslav agriculture that was adopted later. The land consisted of small, fragmented agricultural holdings and socially owned operations with small amounts of land, poor equipment resources for production, and unsufficient trained personnel. Later, through the rapid development of the country's agriculture and general economy, which were caught up in the processes of integration and internal transformation, these organizations gradually were transformed into complexes that today are modern agroindustrial complexes. They are true giants with the most modern production equipment, and the newest scientific, technical and technological advances are applied on them. They are counted among the most modern organizations in the world. Their accelerated development represents a qualitative change in the development of Yugoslav agriculture. Agricultural organizations have had pivotal influence on the results of Yugoslav agriculture, which has reached a world level. Besides that, various forms of cooperation and association have contributed markedly to increasing goods production on private lands.

Despite a series of positive results in the development of these organizations, various weaknesses have also been revealed, meaning that all the possibilities for increasing agricultural production have not been utilized.

In this paper, an attempt will be made at analyzing these state land operations from the standpoints of their organization, equipment (primarily with agricultural mechanization), and motivation for more rapid modernization of production processes, as essential prerequisites for obtaining better results in agriculture.

The increased effects will be regarded through the average level of labor productivity (the physical volume of production and the social product per permanent farm worker), the average level of production intensity (the physical volume of production

and the social product per hectare of cultivated land), as well as the percentages of accumulation, reproduction and reinvestment.

The Results of Research and Discussion

The level of development of productive forces in Yugoslavia was very low after the war. Industrialization was the basic method for accelerated economic development. Agriculture represented a source for accumulation in that process. Therefore, in the period 1947-1956 the overall development of agriculture as a whole, and thus the socially owned sector as well, was very much neglected. The turning point in the development of Yugoslav agriculture came with the approval of the Resolution of the Federal Popular Assembly (in 1957) and of the Program of the League of Communists of Yugoslavia (in 1958). At that time, they adopted the concept of advancing agriculture on the basis of accelerated development of socially owned agricultural organizations, along with gradual collectivization of individually owned agriculture. After 1957, the process of modernization began in these organizations, which then and now represent the bearers of overall agricultural development. That was the beginning of the development of powerful, highly productive agricultural production on industrial foundations, along with a strengthening of cooperative efforts in the village. The development of these organizations show chiefly a rising trend, with occasional fluctuations.

Table 1. Comparative Analysis of the Number of Agricultural Organizations, Cultivated Land, and Number of Employees in Agricultural Organizations

Key:

- | | |
|---|--------------------------------------|
| 1. Year | |
| 2. Number of agricultural organizations | 5. Permanently employed |
| 3. 1,000 hectares of cultivated land | 6. Agricultural specialists |
| 4. Number employed | 7. High- and advanced training |
| | 8. Intermediate specialized training |

Source: Yugoslav Statistical Yearbook

On the basis of data in Table 1, we can perceive a decline in the number of agricultural organizations until 1970, followed by increasing numbers. That is a consequence of the concentration and centralization of Yugoslav agriculture, the expansion and strengthening of these organizations through various integrational processes that were implemented after 1960. Beginning with 1970, actually after the approval and implementation of the Yugoslav Constitution in 1974 and the Law on Associated Labor in 1976, the former enterprises were transformed into organizations of associated labor, and their numbers grew. Other than that, the increase in cultivated surface held by these organizations has been slow. For example, in 1979 they had only 16 percent of the total cultivated surface in Yugoslav agriculture at their disposal. The number of permanent and temporary employees grew until 1965, and then began to decline. This resulted from the increasing modernization and better equipment of these organizations (see tables 2 and 3).

Table 2. Total Capital Investments in Agricultural Organizations, in million dinars at 1972 prices

Key:

- | | |
|-----------------|-------------------------|
| 1. Year | 4. Equipment |
| 2. Total | 5. Other investment |
| 3. Construction | 6. Percentage structure |

Source: Materials of the Federal Statistical Office

Table 3. The Level of Mechanization of Agricultural Organizations

Key:

- | | |
|---|-----------------------|
| 1. Year | 5. Threshing machines |
| 2. Number of tractors | 6. Combines |
| 3. Tractor-drawn mineral fertilizer spreaders | 7. Tractor trailers |
| 4. Tractor-drawn grain drills | 8. Trucks |

Source: The Statistical Yearbook of Yugoslavia

Total basic capital investments in agricultural organizations show a rising trend until 1960, and then begin to decline steadily: they did not return to 1960 levels of investment again until 1978. Similar tendencies are seen in investment in construction. In equipment, however, investments showed a constant increase both in absolute and relative terms. A significant increase in investments in equipment was noted after 1965, which coincided with the beginning of the drop in employment. That confirms the assertion about rapid modernization and mechanization of agricultural organizations in the period after the reform. A consequence of this investment activity can also be seen in the increasing mechanization of agricultural organizations.

On the basis of Table 3 we can perceive a growth in the number of agricultural machines, until 1965. After the economic reform, their numbers tended to decline. That can be explained by the motivational levels of organizations for acquiring more powerful machines with greater operational effectiveness. For example, in 1965 the number of tractors with more than 35.8 horsepower was 8,854, while in 1979 it totaled 18,213. That means that the number doubled in 15 years. The satisfactory level of agricultural mechanization is a qualitative change in the development of agricultural organizations. The question arises as to what motivates the agricultural organizations to make these changes.

Professor R. Stojanovic has studied the role of motivation systems in developmental policy; he stresses: "The two basic forms of motivation are developmental motivation and consumer motivation. Their interaction, the strength of each one's effect has the most direct impact on the pace and the nature of the entire society's development, it is essential that these two forms of motivation be in the optimum relationship. The same author offers the following basic components of motivation for development:

- a. The accumulation motivation
- b. The motivation for the growth of specialized knowledge that cannot be put to direct use;
- c. The motivation for integration in all spheres of economic life, seeking a integration process that will support development; and
- d. The motivation for maximizing all of society's positive external factors.²

Stojanovic's ideas can find application in Yugoslav theory, policy and practice of agricultural development. The basic motto for the development of agricultural organizations is to increase and provide more stable growth and more favorable structure in agricultural production to "implement the policy of more rapid growth of personal consumption and the standard of living, for more complete satisfaction of the increasing needs for agricultural raw materials in industry, and for increasing exports while gradually reducing imports of foods."³

The mechanization of agricultural organizations and increases in the number of specialists have significant roles in realizing these goals. Mechanization will replace human work and contribute to higher quality and more prompt preparation of the land, sowing, cultivation, and harvest of grains, more rapid transport, better storage and so forth. And precisely increasing production and yields of wheat, corn and sugar beets in agricultural organizations (see Table 4) can be explained in part by social motives, goals and tasks in food production, good supplying of mechanization, and the growing number of specialists.

An essential factor in the development of socially owned agriculture after the economic reform can be perceived in the increase in work performed by machines (greater mechanization of the production processes) and the reduction of human labor (the number of employees).

The basic motive for these changes was to increase labor productivity in agricultural organizations, as an important prerequisite for more rapid agricultural development. In the last 25 years (1955-1979), labor productivity in socially owned agriculture, measured in terms of the physical volume of production per worker, has grown nearly six-fold (see Table 5).

Table 4. Production and Yields of Wheat, Corn and Sugar Beets in Agricultural Organizations

Key:

- | | |
|---------------------------------|-----------------------------------|
| 1. Wheat | 4. Year |
| 2. Corn | 5. Total production in 1,000 tons |
| 3. Sugar beet | 6. Yield in tons per hectare |
| 7. Total production, 1,000 tons | 9. Total production, 1,000 tons |
| 8. Yield in tons per hectare | 10. Yield in tons per hectare |

Source: The Statistical Yearbook of Yugoslavia

Table 5. Variations in the Physical Volume of Production, Number of Employed, and Physical Volume per Worker in Agricultural Organizations

Index, 1955 = 100

Key:

- | | |
|---|-------------------------------------|
| 1. Year | 3. Permanent employees |
| 2. Production in agricultural organizations | 4. Productivity (volume per worker) |

Source: The Statistical Yearbook of Yugoslavia

Measured by value indices, labor productivity in the socially owned sector of agriculture shows the same trends. Expressed in value terms, the growth is more than 4.8 times the 1955 value (see Table 6).

Table 6. Trends on Social Production and Social Production per Worker in Agricultural Organizations

Key:

- | | |
|---|--|
| 1. Year | 3. Labor productivity (social production per worker) |
| 2. Social Production in million dinars, calculated in 1972 prices on the principle of repeated activities | 4. Index: 1955 = 100 |

The growth in labor productivity is an important indicator of not only the development of agriculture to the present, but also of its likely future development. The achieved growth in labor productivity in socially owned agriculture is satisfactory and has reached the level of productivity of agriculturally advanced countries such as Denmark, Holland, and the United States.

However, for analysis and evaluation of the development of socially owned agriculture, which is the most representative indicator, there are also other important parameters. One of them is the intensity of production, which is obtained by analysis of trends in social product per hectare of cultivated land. Actually, that is a significant indicator of the effectiveness of utilizing land capacity. The average level of intensity, expressed in physical and value terms, reveals growth trends. The intensity of production, calculated in terms of the physical volume per hectare of cultivated land, has increased five times in the past 25 years (see Table 7).

Table 7. Trends in the Physical Volume of production of Cultivated Land and the Physical volume per Hectare of Cultivated Land in Agricultural Organizations
Index: 1955 = 100

Key:

1. Year
2. Production in agricultural organizations
3. Cultivated land
4. Intensity (production per hectare of cultivated land)

Source: The Statistical Yearbook of Yugoslavia

Measured in value terms, the intensity of production in socially owned agriculture in the same period grew by four times (see Table 8).

Table 8. Trends in Social Production and Social Production per Hectare of Cultivated Land in Agricultural Organizations
Index: 1955 = 100

Key.

1. Year
 2. Social Production in million dinars
 3. Intensity (social production per hectare)
- Source: The Statistical Yearbook of Yugoslavia

Analysis and comparison of the data on the growth of labor productivity and intensity of production in agricultural organizations indicate that prior to the economic reform, labor productivity grew more slowly than the intensity of production. After the economic reform, the level of labor productivity grew faster than the level of production intensity. A similar conclusion results from analysis of microeconomic indicators of the operations of agricultural organizations. (According to data of the Public Accounting Office, in 1966 income per employee amounted to 32,012 dinars, while in 1979 it was 258,060 dinars. In 1966 income per hectare of cultivated land was 3,905 dinars, while in 1979 it was 22,358. All quotations are at current prices. That means that when 1979 is compared with 1966, the income per employee increased eight times, while the income per hectare of cultivated surface increased 5.7 times.)

On the basis of these analyses, it can be concluded that Yugoslav agricultural organizations are better motivated to improve labor productivity, and have been less

motivated to increase the intensity of production, during the postwar period. A consequence of this motivation is found in increased extensivity of production, whereby the basic feature is the high share of grain production in the crop structure of cultivated and plowed land. Grain planting involved increasing mechanization and decreasing human labor. A further feature is the very small share of total land devoted to industrial crops, vegetables, fruits and fodder. The possibilities for more rapid development of animal husbandry, irrigation and other intensive agriculture are not being sufficiently utilized. In other words, Yugoslav agricultural organizations are giving insufficient attention to labor- and income-intensive production (see Table 9).

Table 9. The Structure of Sowing Land of Agricultural Organizations (in percentage)

Key:

- | | |
|--------------------|---------------------|
| 1. Year | 4. Industrial crops |
| 2. Planted surface | 5. Vegetables |
| 3. Grains | 6. Fodder crops |

Note to 1955: The data for 1955 should be taken carefully since harvested rather than sowed land totals are given.

Source: Statistical Bulletins No 923 and 1220, and The Statistical Yearbook of Yugoslavia

The data in Table 9 confirm previous assertions. Of particular concern is the minimal amount of vegetables planted and the constant decrease in fodder crops in the sowing structure. The decrease in fodder crops planted is a consequence of fluctuations and stagnation in livestock production in agricultural organizations. For example, in 1979 only 12 percent of the country's livestock belonged to these organizations. Concentration on extensive production in these organizations can be explained by the insufficient development of processing facilities, lack of coordination of development plans and programs between primary agricultural producers, processing facilities, consumer centers and food reserves. The overcoming of these shortcomings would hasten the development of labor- and income-intensive production in agricultural organizations, and that would contribute to better utilization of land capacity, to an increase in the average level of production intensity. Thereby, total income and income per hectare in these organizations would be increased, and this would be reflected favorably in their capital accumulation, reproductive and reinvestment capability. Additionally, their income provides funds for the development of secondary, tertiary and public activities.

Therefore, the working people in these organizations must be constantly better motivated, along with the need for increased labor productivity, to steadily raise the level of production intensity, and thereby the accumulative, reproductive and reinvestment capability of agriculture. These are also important indicators of the development of agriculture.

The accumulative, reproductive and reinvestment capability of socially owned Yugoslav agriculture is unsatisfactory; in the past 14 years it has tended to decline (see Table 10).

Table 10. Rates of Accumulation, Reproduction, and Reinvestment in Agricultural Organizations

Year	Accumulation rate (1)	Reproduction rate (2)	Reinvestment rate (3)
1966	5.8	7.0	3.8
1970	2.2	6.4	1.6
1975	2.5	6.0	3.2
1978	1.2	4.0	0.6
1979	1.4	4.1	0.4

Source: Data of the Public Accounting Office

$$1. \quad S_a = \frac{PF}{PKPA (Aos + Aob)}$$

S_a = the accumulation rate
 PF = the operations fund
 $PKPS$ = average use of operating funds
 (basic capital + working capital)

$$2. \quad RS = \frac{PF + AM}{FFPS AAos + Aob}$$

RS = reproduction rate
 AM = amortization -- total funds

$$3. \quad Srs = \frac{PF + Am - Ot}{PKPS (Aos + Aob)}$$

Srs = reinvestment rate
 Ot = total repayments received for unpaid debts based on investment credits for basic and working capital, and repayments for investment credits for basic and working capital to be received the following year.

This has resulted from the deterioration in the position of agriculture in primary and secondary capital distribution. The deterioration in the position in primary distribution is seen in the more rapid rise of prices for industrial products intended for agricultural use, compared to the rise in prices for agricultural products. In secondary distribution, it is seen in the more rapid increase in personal, joint and general consumption (personal income, and contributions to interest communities and sociopolitical communities), compared to the increase in prices for agricultural products.

Improving the position of socially owned agriculture in primary and secondary capital distribution is a crucial issue for the agricultural, economic and socio-economic development of the country in the coming period.

FOOTNOTES

1. R. Stojanovic, "Uloga sistema motivacije u razvojnoj politici" [The Role of Motivation Systems in Developmental Policy], Marksistička misao [Marxist Thought], No 3, 1978 pp 114-115
2. Op. cit., p 115
3. "Rezolucija SNS o razvoju Poljoprivrede," [The Federal Assembly Resolution on the Development of Agriculture], Sluzbeni List SFRJ [Yugoslav Official Gazette], July 1964 p 625

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2. Markovic, P., et al, "Razvoj produktivnosti u jugoslovenskoj poljoprivredi," [The Development of Productivity in Yugoslav Agriculture], GLASNIK No 9, 1979.
3. Milenkovic, P., "Ekonomika politika u poljoprivredi," [Economic Policy in Agriculture], Novi Sad, Poljoprivredni fakultet [Department of Agriculture], 1980.
4. "Rezolucija narodne skupstine o razvoju poljoprivrede," [The Resolution of the National Assembly on the Development of Agriculture], SLUZBENI LIST SFRJ, Belgrade, July, 1964
5. The Federal Statistical Office, Materijali, Statisticki bilteni i Godisnjaci [Materials, Statistical Bulletins and Yearbooks] (various dates).
6. Stojanovic, R., "Uloga sistema motivacije u razvojnoj politici," [The Role of Motivation Systems in Developmental Policy], MARKSISTICKA MISAO, No 3, 1978.
7. Tomic, D., "Politika razvoja poljoprivrede Jugoslavije," [The Developmental Policy of Yugoslav Agriculture], PRIVREDNA IZGRADNJA, No 4, 1980.

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ERRATUM: The following is a corrected version of an article published on pages 42-44 of JPRS 79285 of 23 October 1981, No 2192 of this series.

YUGOSLAVIA

FOREIGN TRADE OF REPUBLICS, PROVINCES, JAN-JUL 1981

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Sep 81 p 3

[Article by Milorad Urosevic]

[Text] Exports covered 58.5 percent of imports, but for every 100 dinars imported for foreign exchange only 44.7 dinars of goods were exported. Serbia proper had the best success, with 72.8 percent of imports covered by exports, while relatively the worst record was Croatia's 40.5 percent coverage.

The end of summer vacations also meant the coming of increased activity in the assemblies of sociopolitical communities and organizations of associated labor, as well as in other organizations and institutions involved in implementing the conclusions of the Council of Republics and Provinces approved on 16 July. These decisions relate chiefly to overcoming inflation, which cannot be achieved without balancing exports and imports and reducing the negative balance of trade.

To improve the country's position in economic relations with foreign countries, reduce the trade deficit and the degree of indebtedness, and increase exports to foreign exchange areas, special responsibility must be assumed by the republics and provinces. The Conclusions continue to state that the interest communities for economic relations with foreign countries and organizations of associated labor must also accept their obligations, while the Federal Executive Council and the National Bank should make it impossible to accept import applications that exceed the balance of payments and the deficit that has been approved.

Regarded in this manner, and taking into consideration that the Federal Statistical Office is overburdened with work related to the population census and therefore is late in publishing its regular reports on economic trends, the data published last week on foreign trade for the January-July period gain in significance. Here it is not only significant to note the increase in exports and imports, but also the indicators regarding the negative balance. Nor should one ignore the degree to which the sociopolitical community has contributed to the results achieved.

Those elements are apparent from the data about the degree to which imports were covered by exports and the share of individual republics and provinces in the total negative balance. From this will come their tasks until year's end. Comparison of the most important elements of this exchange during 7 months this year and the same period last year will be possible later; below are the results for 1981 so far.

Data for the Period January-July 1981

Sociopolitical community	In million dinars			Percent imports covered by exports	Share in:		
	Exports	Imports	Deficit		Exports	Imports	Deficit
Yugoslavia-total	157,832	269,739	111,907	58.5	100.0	100.0	100.0
Bosnia and Hercegovina	23,202	35,663	12,461	65.1	14.7	13.2	11.1
Montenegro	2,219	6,158	3,939	36.0	1.4	2.3	3.5
Croatia	34,087	73,282	39,195	40.5	21.6	27.2	35.0
Macedonia	7,866	12,456	4,590	63.2	5.0	4.6	4.1
Slovenia	31,110	44,735	13,635	69.5	19.7	16.6	12.2
Serbia proper	41,822	57,467	15,645	72.8	26.5	21.3	14.0
Kosovo	3,132	6,479	3,347	48.3	2.0	2.4	3.0
Vojvodina	12,740	24,175	11,435	52.7	8.1	9.0	10.2
Federation	1,654	9,324	7,670	17.7	1.0	3.4	6.9

The numbers on the table require some explanations and additions. Compared to the same months of last year, exports increased by 16 percent, while imports were down by 1 percent. The negative difference increased from 99,401 billion dinars to 111,907 dinars, or by 12.6 percent. Recalculated on the basis of the Federal Executive Council Resolutions on Establishing Foreign Exchange Rates, the deficit reached 4,099 billion dollars, compared to 3,641 billion during the same time period of the previous year. The negative balance with convertible currency countries, however, is even worse. Last year the 7-month deficit was 3,298 billion dollars, while this year it reached 4,140 billion, meaning a 26.2 percent increase.

All of these figures represent the Yugoslav total, to which it should be added that last year the amount by which exports covered imports in the period under consideration amounted to 58.5 percent, while this year it was better by half a percentage point. The various sociopolitical communities contributed differently to the overall Yugoslav balance, with some improving their shares and others showing worse results.

Taking their share in the overall results into consideration, Serbia proper and Croatia have a great impact on the whole, and this has been true in the year so far.

Increasing the amount its exports covered imports from 72.2 percent during the first 7 months of last year to 72.8 percent, and its share of total exports to 26.5 percent, of total imports to 21.3 percent, and its share in the negative balance to 14 percent, Serbia proper contributed at least to a minimal improvement in the Yugoslav balance of foreign trade.

The Croatian economy saw its exports/imports ratio decline from 55.6 percent during January-July last year to 40.5 percent this year, while its share of total exports was 21.6 percent, of total imports, 27.2 percent, and of the trade deficit, 35 percent.

Bosnia and Hercegovina also improved its contribution with the exports/imports ratio going from 63.9 to 65.1 percent, while its share of total exports was 14.7 percent, of total imports, 13.2 percent, and of the trade deficit, 11.1 percent.

Macedonia recorded a significant improvement, with the exports/imports ratio rising from 57.8 percent for 5 months of last year to 63.2 percent this year and with declining shares in exports, imports and the trade deficit.

After Serbia proper, Slovenia showed the best exports/imports ratio, improving from 66.8 percent for the 7 month period last year to 69.5 percent this year, while its share of total exports declined to 19.7 percent, of total imports to 16.6 percent, and of the trade deficit to 12.2 percent.

Vojvodina showed the greatest advances, although given its low starting point, there was little reason for satisfaction. The exports/imports ratio improved from 40.1 percent for 5 months to 52.7 percent, with its share of total exports at 8.1 percent, of total imports at 9 percent, and of the trade deficit, 10.2 percent.

Montenegro and Kosovo increased their negative balances and lost ground in the exports/imports ratio, but their shares of total foreign trade are very modest, so that they have little impact on the final results.

Regarded in this manner, and combining basic elements that are published by the Federal Statistical Office with supplementary calculations, it is possible to perceive both the results so far and the obligations that are before the republics and provinces. This, however, is not enough, because the role of organizations of associated labor is not apparent. Research into the extent that exports cover imports for individual economic branches and sectors, combined with total employment and personal income figures, would reveal very different behavior and contributions to economic stabilization. These features deserve a special study.

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YUGOSLAVIA

BRIEFS

OIL PRODUCTION--This year our country will produce from domestic sources 4,355,000 tons of crude oil, valued at \$1.3 billion. INA-Naftaplin will produce 3,105,000 tons of this amount, and Nafta-gas will produce 1,250,000 tons. These two enterprises will also produce about \$400 million worth of natural gas this year. They expect to intensify exploration of the Pannonian basin and also invest more in exploring the Adriatic sea for oil. [Excerpt] [Zagreb VJESNIK in Serbo-Croatian 19 Oct 81 p 3]

CONSTRUCTION WORK ABROAD--Yugoslav construction enterprises will complete about \$1.5 billion worth of work abroad this year (about \$200 million more than in 1980), largely in Iraq, Libya, Algeria, the USSR, the FRG, and Kuwait. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 21 Sep 81 p 9]

WORK IN DEVELOPING COUNTRIES--At the beginning of the year Yugoslavia concluded new agreements on investment work in Iraq, Libya, and Algeria, valued at more than \$2.5 billion. With Libya it drew up contracts for forming a joint company to build a \$1 billion aluminum complex, for \$350 million worth of construction at the port of Misurata, and for \$220 million worth of work on a maritime academy. In Algeria our workers will build three \$350 million dams and two \$60 million shoe factories. An agreement was made with Iraq to build a \$572 million hydroelectric plant. Planned capital investment work by Yugoslavia in the developing countries this year is valued at \$1.1 billion. In the first half of this year 67 percent (\$449 million) of all capital investment work (totaling \$742 million) was carried out in developing countries. The plan for such work in these countries is expected to be met this year. In the first 9 months of this year 16 percent more was exported to the developing countries than a year ago, amounting to \$1,292,000,000 in value. The covering of imports by exports was 72 percent compared to 57 percent in all of 1980. Total exports to these countries should be about \$1.9 billion. Through ship exports alone about \$140 million is expected to be earned, namely, from Iraq, Libya, Algeria, Iran, Egypt, and India. By 1985, at least 26 percent of Yugoslavia's economic relations with foreign countries should be with developing countries. [Excerpts] [Belgrade BORBA in Serbo-Croatian 23 Oct 81 p 1]

KOSOVO SUPPLY PROBLEMS--The supply of consumer goods to the Kosovo market is not satisfactory, i.e., the market has all the more important items but not in adequate quantities, so there is a shortage in certain areas of the province. In the last few months there has been a largely sufficient supply of sugar; 6,000 tons was recently imported but another 6,000 tons cannot be imported until foreign exchange is found to pay for it. After the sugar beet harvest and processing,

supplies are expected to improve. Vegetable oil is available but deliveries from producers are not regular. Market supplies of wheat are also unsatisfactory. Because of lack of funds, the province has not yet decided to purchase additional quantities of flour from Vojvodina but imports will be necessary because there are not sufficient quantities of wheat. The market also is not supplied fully with milk because producers are sending only small quantities to market, since it is being used to make cheese, and farmers are waiting for price increases for milk. In the last 3 months there has also been a shortage of technical household goods (refrigerators, freezers, color television sets, air conditioners) because producers do not have enough producer goods or foreign exchange, so they must reduce the quantities of these goods to the market for this year and next year. The supply of construction materials has not improved; reinforced concrete continues to be in greatest demand because the combine in Zenica is not delivering agreed-upon amounts. There is also large demand for cement which continues to be in short supply because of the lack of mazut, and for wood and coal for fuel, but supply is very poor. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 9 Oct 81 p 8]

TRADE WITH CHINA--In the first 7 months of this year Yugoslav-Chinese trade amounted to only \$43.3 million (including \$16.3 million of Yugoslav exports (a 26 percent decrease/compared to the same 1980 period) and \$27.1 million in Yugoslav imports (a decrease of 69 percent compared to the same 1980 period). Data for the 8-month period are also not encouraging: \$27.15 million worth of goods were imported and \$18.47 million worth of goods were exported. In the 9-month period \$19.2 million were exported and \$28.6 million were imported. As of 19 October, Yugoslav exports to China amounted to \$20.3 million, while imports amounted to \$34 million, with total trade amounting to \$55.3 million, while the Yugoslav deficit was \$13.7 million. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Oct 81 p 1]

TRADE WITH MEXICO--Last year oil accounted for \$45 million of the total \$55 million in total trade value with Mexico, thus creating a large deficit on our side. Negotiations are still underway, having started a full year ago, for Yugoslav construction of two cement plants in Mexico, as well as Yugoslav exports of industrial equipment and other goods. In the January-August period we exported machine tools and electric equipment valued at \$3.7 million, but we imported oil, and small amounts of copper, zinc, and coffee valued at \$40 million which means that also this year trade will be on the level of previous years (during the same period last year exports were \$2.9 million, and imports \$24.5 million). [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 21 Oct 81 p 3]

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